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COUNTY OF LOS ANGELES
REGISTRAR-RECORDER/COUNTY CLERK

12400 Imperial Highway – P.O. Box 1024, Norwalk, California 90651-1024 – www.lavote.net

DEAN C. LOGAN

Registrar-Recorder/County Clerk

January 27, 2009

TO: Supervisor Don Knabe, Chair
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

William T Fujioka, Chief Executive Officer

FROM: Dean C. Logan, Registrar-Recorder/County Clerk

**REPORT ON BOARD MOTION OF JANUARY 13, 2009 REGARDING REAL ESTATE FRAUD
NOTIFICATION AND PREDATORY LENDING**

On January 13, 2009, by motion of Supervisor Ridley-Thomas, your Board directed the Registrar-Recorder/County Clerk (RR/CC) to:

1. ...expedite the completion of the Memorandum of Understanding with County law enforcement agencies, namely, the Sheriff's Department and the District Attorney's Office, within 30 days, so investigators may access real estate transaction records directly to shorten investigation time and utilize resources efficiently when conducting research and investigation into allegations of criminal activities and real estate fraud, and
2. to report back in two weeks, in conjunction with the Department of Consumer Affairs, on the feasibility of instituting a mechanism where notification, including foreclosure prevention options and resources, are provided to the homeowner on record when a Notice of Default is recorded with the Registrar-Recorder Office...

Memorandum of Understanding

The draft Memorandum of Understanding (MOU) for law enforcement agencies is in the final stages of review by County Counsel. Agreements with the Sheriff's Real Estate Fraud Unit and the District Attorney's Real Estate Fraud Prosecution and Investigation Unit will be completed and executed by February 12, 2009. All other pending applicants have been informed of the process and agreements will be completed timely.

Current Real Estate Fraud Notification Program and Law

The RR/CC's existing real estate fraud notification program, authorized pursuant to Government Code sections 27297.6 (D) and 27387.1, allows the RR/CC, or an agent through a competitive bid process, to notify by mail within 30 days the party or parties executing the document of the recording of a deed, a quit claim deed or a deed of trust affecting their real estate. These sections were specifically enacted to give the Los Angeles County Recorder the power to issue fraud notifications and collect a fee upon document recordation. In general, existing State law for recorders throughout the State does not allow for, or provide recorders with, the duty to, notify the public of certain transactions other than by maintaining indexes of records. The RR/CC's current notification service is contracted to a third party vendor and is funded through the document recording surcharge on the referenced instruments as authorized by Government Code section 27387.1. This section does not allow for notification or application of a surcharge when a Notice of Default is recorded. Legislation would be required in order for the RR/CC to provide notification and charge for the service. There is no legislative authority for the RR/CC to perform any follow-up with homeowners concerning foreclosure prevention options and resources, through contract or another County department.

Working with the Department of Consumer Affairs and the Chief Executive Office, the RR/CC recommends the County consider seeking legislation expanding the existing real estate fraud notification program to include application of the surcharge and notification of the filing of Notice of Default instruments, as well as the ability to delegate follow-up with homeowners relating to foreclosure prevention resources. As with the original authorizing legislation, we recommend any proposal of this nature be specific to Los Angeles County to avoid organizational opposition from jurisdictions that are not in a position to provide these services.

Process for Discovering Property Owners and Tenants Subject to a Notice of Default

Typically, the Notice of Default document does not list the physical address of the property; the nature of the document itself requires a different model of notification than that provided for in the current real estate fraud notification program. The RR/CC can provide the Department of Consumer Affairs or another appropriate agency with access to the images of all Notice of Default instruments filed; however facilitating a notice to the property owners would require manually referencing back to the recorded Deed of Trust in order to determine ownership and addressing information.

Board staff has also inquired about the ability to notify tenants, in the case of rental properties, of the filing of a Notice of Default. We are unaware of any source database of tenants or rental properties; however, any mechanism developed to identify the residence address for properties subject to Notice of Default as described above may support the development of a program that would allow the Department of Consumer Affairs or some other appropriate agency the opportunity to send an "occupant" notice to the property address once identified.

For reference, a new State Law was implemented last year (SB 1137) which requires the Lender to notify the Trustor, on loans secured between 2003 and 2007, by phone and mail prior to recording a Notice of Default in an attempt to provide options to the property owner to prevent

or halt foreclosure activity. This law requires the Lender to include a confirmation statement on the Notice of Default, indicating whether or not contact was made with the Trustor. A Notice of Default can be recorded 30 days after notification occurs or was attempted.

Following are statistics for the number of Notice of Default instruments recorded in Los Angeles County between 2003 and 2007:

2003: 21,316

2004: 16,526

2005: 16,730

2006: 26,296

2007: 53,422

In 2008, the number of Notices of Default grew to: 84,798.

Conclusion

In summary, I have identified general actions necessary to establish a notification program to inform property owners (and potentially tenants) of property subject to foreclosure that such action has been initiated. Legislative authorization will be needed for the RR/CC to provide notification and a recording surcharge to fund such a program, as well the delegation of authority for the surcharge to be applied to follow-up with homeowners concerning foreclosure prevention options and resources, through contract or another County department. In addition, a cross-referencing methodology for identifying property owners and physical addresses for the affected properties is required and will need to be developed. Upon Board direction, the RR/CC will cooperate with the Department of Consumer Affairs and the Chief Executive Office and report back on the feasibility of any program as directed by your Board.

cc: Executive Officer, Board of Supervisors
Director, Department of Consumer Affairs
County Counsel



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

February 12, 2009

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name and title.

STATUS OF FORECLOSURE/FRAUD PREVENTION MOTION

A motion was introduced, and approved, at the January 13, 2009 Board meeting requesting:

- Community Development Commission (CDC) to report back in one week regarding the status of county' application with HUD and State Neighborhood Stabilization Programs.
- Registrar Recorder County Clerk (RR/CC) and Consumer Affairs (DCA) to report back in two weeks on notification to homeowners and apartment dwellers and use of RR/CC Vital Records system by the District Attorney (DA), Sheriff, etc. for law enforcement efforts.
- Chief Executive Office (CEO) to report back in 30 days on County multi-jurisdictional, public and private efforts to address crisis, including exploration of creation of a countywide approach and task force to identify ways to prevent fraudulent loan practices and assist affected homeowners.
- A verbal amendment to motion specified that actions in this motion were not to diminish the effectiveness of the existing District Attorney Real Estate Fraud Prevention Program.

CDC released their response on January 20, 2009. RR/CC released their response (incorporating DCA and County Counsel comments) on January 27, 2009. The RR/CC report identified actions necessary to do a notification program (legislation needed and a funding stream identified).

DCA has been meeting and responding to questions from Supervisors' offices individually regarding current programs and outreach to communities.

The CEO contacted the Assessor, RR/CC, Chief Information Office and Internal Services Department to determine who had the best database for creating maps of foreclosed properties in each Supervisorial District. We plan to use the Assessor's data and have asked the GIS unit to create the maps for each district.

The CEO has scheduled a major interdepartmental meeting for February 17, 2009. We have also requested DCA to invite key contacts from State, Federal and other agencies to the February 17 meeting. Other agencies which DCA has recommended be part of the meeting include the State Attorney General, State Department of Real Estate, State Department of Corporations, US Federal Trade Commission, the FBI Mortgage Fraud Squad, and the Los Angeles City Attorney's Office.

DCA is working with the CEO to develop a proposed plan to address key aspects of the motion. The draft plan includes a three-part approach: outreach and education; central reporting and complaint handling; and Investigation and prosecution. DCA and the CEO are assessing the operational and fiscal feasibility of the plan and will get input from County and other public agency representatives at the February 17th meeting.

The DA has a Real Estate Fraud Task Force set up for County departments to share information. We plan to coordinate our efforts with this group. The Task Force has the following membership:

- o Los Angeles District Attorney
- o Sheriff
- o RR/CC
- o DCA
- o CA Dept. of Real Estate
- o CA Dept. of Corporations
- o Los Angeles Police Department
- o Long Beach Police Department
- o Inglewood Police Department
- o Federal Bureau of Investigation
- o Internal Revenue Service
- o District Attorney representatives from Orange, San Bernardino and Riverside Counties

Each Supervisor
February 12, 2009
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We request a one month extension on the due date for the response to the motion as we will need to incorporate comments from other agencies into the DCA draft plan. We also need to meet with the non-profit and other groups that can assist with the education and outreach component.

If you have any questions or require further information on this matter, please contact Ellen Sandt, Deputy Chief Executive officer at (213) 974-1186 or esandt@ceo.lacounty.gov.

WTF:SRH:EFS
SW:ef

c: Assessor
 District Attorney
 Sheriff
 Chief Information Office
 Community Development Department
 County Counsel
 Department of Consumer Affairs
 Internal Services Department
 Registrar Recorder/County Clerk

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County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

March 17, 2009

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to read "W. T. Fujioka", is written over the printed name of the Chief Executive Officer.

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

REPORT AND RECOMMENDATIONS TO ADDRESS FORECLOSURES AND REAL ESTATE FRAUD

On January 13, 2009, your Board approved a motion by Supervisor Ridley-Thomas, amended by Supervisor Antonovich, which directed the Chief Executive Officer (CEO) to report back to the Board on a County multi-jurisdictional, public, and private effort to address the foreclosure and real estate fraud crisis including the feasibility of creating a Real Estate Fraud/Predatory Lending Task Force and the development of a comprehensive Countywide approach to reviewing the impact of real estate fraud, with an emphasis on predatory lending practices, including:

- Identification of issues pertinent to the County and its residents and their fiscal and social impact;
- Recommendations on how to address these issues;
- Forecasting the needs of homeowners, renters, residents, communities, social services providers, and businesses;
- Recommendations on the outreach and public information efforts to communities, education of the public, including financial literacy courses, counseling services, and assisting homeowners with loan modifications to prevent foreclosure;

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- Review of the function of Sheriff's Department detectives, District Attorney Investigators, and Investigators with the Department of Consumer Affairs and any recommendations for streamlining or consolidating functions;
- Recommendations on the composition of the members of the Task Force, to possibly include representatives from, but not limited to, the Federal Trade Commission, the Federal Bureau of Investigation, the US Attorney's Office, the State Department of Real Estate, the State Department of Corporations, the State Attorney General's Office, members of the County family, and other municipal agencies, as well as non-profit agencies, advocacy groups, and educational institutions; and
- Pursuant to the amendment by Supervisor Antonovich, ensure that the real estate foreclosure and fraud program is supported in a manner that does not diminish the effectiveness of the existing "Real Estate Fraud Notification Program" implemented by the County of Los Angeles as a result of special legislative authority in 1993.

In response to this direction, the CEO convened two interdepartmental meetings: one including State and Federal agencies to discuss the approach to the Real Estate Fraud/Predatory Lending Task Force (Task Force); and a second with non-profit organizations which focused on homeowner assistance and outreach. Based upon these meetings and with the input of the District Attorney (DA), Sheriff, Department of Consumer Affairs (DCA), the Registrar-Recorder/County Clerk (RR/CC), and County Counsel, the CEO has compiled information and recommendations regarding how the County can best move forward to provide strategic, effective assistance to homeowners that face foreclosure and/or real estate fraud.

The following recommendations are the result of this process and are more fully discussed in Attachment A. These recommendations will serve to enhance the existing Real Estate Fraud Notification Program implemented by the Board of Supervisors pursuant to special legislative authority enacted in 1993.

1. Instruct the CEO, affected departments, and the Sacramento advocates to work with the Los Angeles County delegation to seek legislation to expand the County's existing real property transaction notification program to:
 - a. Authorize the County to charge a fee for the recording of a notice of default, or notice of sale, as well as for recording a deed, quitclaim deed, or deed of trust;
 - b. Increase the maximum allowable fee for recording each type of real estate transaction documents from \$7 to \$9;

- c. Authorize the County to provide a notification to homeowners and renters upon the recording of a notice of default, or notice of sale; and
 - d. Permit the County to utilize revenue generated by the real estate transaction fees for assistance to homeowners who receive a recorded document, public outreach, and education, as well as notification.
2. In anticipation of the enactment of the legislative proposal, direct the CEO, DCA, Community Development Commission (CDC), and other departments, as appropriate, to work with 211 Los Angeles County and community-based organizations and non-profits to review and enhance existing publications produced by DCA and develop new publications as necessary to provide easy to understand educational fliers, Public Service Announcements, and other outreach materials to assist the County's residents and businesses to avoid real estate fraud and foreclosure. Upon identification of funding, these materials will be translated into the six non-English languages required by the Federal Elections Law: Spanish, Chinese, Japanese, Vietnamese, Tagalog, and Korean.
 3. Recognize the existing District Attorney Real Estate Fraud Task Force (REFTF) as the County entity to address real estate fraud issues in Los Angeles County. This Task Force was initially convened and is still chaired by the DA. It has been meeting monthly since the mid-1990's. Its original and current purpose is to share information about current real estate fraud trends, facilitate investigative efforts between members of the public and law enforcement, and provide a forum for public agencies directly linked to victims of real estate fraud to share information. Because of the well established purpose and credibility of the REFTF, as well as the sustained participation by key agencies, it is recommended that the REFTF be formally recognized by your Board as the County's multi-jurisdictional task force to recommend policy direction and continue collaboration around the prevention of real estate fraud.
 4. The proposed legislative changes will permit the County to improve notification to homeowners, renters, and others; and to conduct public assistance and outreach in the area of real estate fraud and foreclosure by adding notices of default and notices of sale to the recorded documents that the County may charge a fee to record; authorize the County to provide notice to property owners and renters of notices of default or sale; increase the ceiling for the fee that the County may charge for recording real estate transaction documents from \$7 to \$9; and permit the fee

revenue collected pursuant to the program to be used for assistance to homeowners, renters, and others who receive a notification, public outreach, and education including translation of materials into the six non-English languages required by the Federal Elections Law: Spanish, Chinese, Japanese, Vietnamese, Tagalog, and Korean. A fee increase for the homeowner assistance, education, and outreach program may not be initiated, however, unless the legislation is enacted.

In addition to these recommendations, the DA and the Sheriff provided a recommendation that the Board adopt an increase in the State statutory recordation fee that is collected to fund the Real Estate Fraud Prosecution Trust Fund. This fee was authorized by the Legislature in 1995 to "fund programs to enhance the capacity of local police and prosecutors to deter, investigate, and prosecute real estate fraud." The fee was authorized at the State maximum of \$2 per recorded real estate document by Board action in January 1996. An amendment to the State statute authorizing the fee was enacted in 2008 authorizing the fee to be increased to \$3 per recorded document. The DA and the Sheriff will be recommending directly that your Board approve the fee increase. The revenues collected are distributed: 10 percent to RR/CC for administration; of the remaining 90 percent, 60 percent is distributed to the DA and 40 percent is allocated by a committee composed of the CEO, DA, and DCA to policing agencies with fraud investigative units. The Sheriff, with the largest fraud investigative unit in the County receives a good share of this latter share of funds.

The Board motion also directed the Acting Director of CDC to report back on the status of the County's application for the U. S. Housing and Urban Development Neighborhood Stabilization Program, as well as the status of the County's application with the State of California Neighborhood Stabilization Program. The CDC submitted its report on January 20, 2009. In addition, the CEO and all affected County departments and agencies, led by the CEO's Office of Intergovernmental Relations, continue to analyze the recently adopted Federal economic stimulus package, the American Recovery and Reinvestment Act (ARRA), to identify the County's ability to access ARRA funds for the benefit of County residents and businesses. Attachment A includes a synopsis of specific funding areas in ARRA that may be of assistance to County homeowners dealing with foreclosure and/or real estate fraud.

In addition, the Board motion directed the RR/CC to: expedite completion of the Memorandum of Understanding (MOU) with the Sheriff and DA, and other law enforcement agencies as appropriate, so investigators may access real estate transaction records directly to shorten investigation time. As promised in the RR/CC report to the Board dated January 27, 2009, the MOUs with the DA and Sheriff were completed in February 2009.

Each Supervisor
March 17, 2009
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The motion also directed the RR/CC to work with the DCA to institute a mechanism to ensure that notification is sent to the homeowner on record of all real estate related documents recorded at the RR/CC Office including notices of default and notices of sale. Currently, notices are only provided to homeowners when deeds, grant deeds, and quitclaim deeds are filed with the County RR/CC. As discussed above and included in the recommendation actions for your Board's consideration, amendments to State law are required in order to implement the Board's direction.

If you have any questions, please contact me or your staff may contact Ellen Sandt, Deputy Chief Executive Officer, Operations at (213) 974-1186, or via e-mail at esandt@ceo.lacounty.gov, or Lari Sheehan, Deputy Chief Executive Officer, Community and Municipal Services at (213) 893-2477, or via e-mail at lsheehan@ceo.lacounty.gov.

WTF:SRH
ES:LS:os

Attachment

c: Executive Officer, Board of Supervisors
County Counsel
District Attorney
Sheriff
Director of Consumer Affairs
Interim Director of Community Development Commission
Registrar-Recorder/County Clerk

ATTACHMENT

COMPREHENSIVE COUNTYWIDE APPROACH TO DEALING WITH THE IMPACT OF FORECLOSURES, REAL ESTATE FRAUD AND PREDATORY LENDING PRACTICES

This report provides a detailed response to the components of Supervisor Mark Ridley-Thomas' motion, which was amended by Supervisor Antonovich and approved by the Board on January 13, 2009. In preparing this report, the Chief Executive Office (CEO) convened two meetings to discuss the Board's direction, the County's current programs and processes to assist and protect County residents and businesses from real estate fraud and foreclosure, and improvements to those programs and processes. On February 13, 2009, a meeting was held with County, State, and Federal agencies and departments involved in real estate fraud and foreclosures; and on February 27, 2009, non-profit organizations which assist persons subject to real estate fraud and foreclosure met with the CEO and the Department of Consumer Affairs. The recommended actions in the Board memo reflect the input received from these stakeholders; and the following report provides greater detailed information.

A. Board Direction: Create a Real Estate Fraud Task Force

The County currently has a Real Estate Fraud Task Force which focuses on many of the issues raised in the January 13, 2009 Board motion. Specifically, the District Attorney (DA) created a Real Estate Fraud Task Force (REFTF) in the mid 1990s as a means to share information about current real estate fraud trends, facilitate investigative efforts between members of the public and law enforcement, and provide a forum for public agencies directly linked to victims of real estate fraud to share information. Because of the well established purpose and credibility of the DA's REFTF, as well as the sustained participation by key agencies, it is recommended that the REFTF be formally recognized by the Board of Supervisors as the County's multi-jurisdictional task force to recommend policy direction and continue collaboration around the prevention of real estate fraud.

As described in the attached report (Exhibit 1) prepared by the DA's office, the REFTF began as an informal creation and has matured into a well recognized and credible organization. It meets the first Wednesday of every month. The DA, Sheriff, County Department of Consumer Affairs (DCA), and the Los Angeles Police Department participate on a regular basis and are the "core agencies" of the REFTF. Police departments from other Los Angeles County cities also participate when it serves their needs, as do law enforcement agencies from neighboring counties.

The composition of the REFTF has stabilized over time, but there is not a "standing" membership other than the core agencies mentioned above. At the request of the CEO, the DA's staff has agreed that they will pursue a formalized mission statement for the REFTF, as well as the development of annual goals and

strategies to guide the work of the task force. In doing this, however, care will be taken not to impinge upon the inclusiveness and effectiveness of the RETFT, including preserving the ability of the task force to conduct meetings that are generally open to the public but also holding meetings that are closed to the public when the discussion is case-specific and requires confidentiality.

The credibility of the REFTF and its value as a resource to DA investigators and other law enforcement personnel are evident by the fact that other counties have initiated formation of similar task forces based on the Los Angeles County model.

As a part of the CEO's research, the US Attorney's office was asked if they should be involved in the REFTF. The representative indicated his office is currently working with the FBI and IRS on "quicker hits" to get perpetrators off the streets immediately. For these reasons, the U.S. Attorney did not see a need to become a standing member of the REFTF, but did indicate that the County through the REFTF was further ahead than most agencies in the State and the nation in addressing the real estate fraud problem. It was agreed that the Federal group and the REFTF would contact each other as needed on a case by case basis.

B. Board Direction: Review of the Investigative Functions of the DA, Sheriff and DCA to Determine Needed Streamlining or Consolidation

This element of the January 13, 2009 Board direction was discussed at a meeting convened by the CEO on February 17, 2009. The consensus recommendation of the three agencies is that each one has a separate and distinct role in the real estate fraud investigation process and consolidation would dilute the County's effectiveness in serving County residents. The role of each agency is as follows:

- The Department of Consumer Affairs is the central reporting agency for real estate fraud and is often the first place that victims or concerned citizens call regarding real estate fraud complaints. DCA investigators respond to each complaint. They separate those complaints which can be resolved through counseling or mediation - in which DCA assists - from those cases which must be handled by law enforcement.
- The Sheriff's Department also receives complaints from victims of fraud. Sheriff detectives investigate real estate related fraud cases throughout the County. They compile necessary documentation, identify victims, complete the forensic analysis and identify perpetrators.
- The District Attorney's Bureau of Investigation (BOI) also receives complaints from victims of fraud. The BOI works with Sheriff to vertically handle cases of original jurisdiction. BOI also assists smaller municipal police agencies with their investigations and conducts follow-up for attorneys on filed cases.

As a result of reviewing the functions and interactions between the three agencies, the CEO does not recommend consolidating these functions. In Exhibit 1, the DA also provides a description of the roles of the District Attorney, DCA, and Sheriff Investigators.

C. Board Direction: Multi-jurisdictional Efforts to Address Real Estate Fraud – the Real Estate Fraud Prosecution Trust Fund

In 1995, the California Government Code was amended to permit the establishment of a Real Estate Fraud Prosecution Trust Fund (Fund) by counties to “fund programs to enhance the capacity of local police and prosecutors to deter, investigate and prosecute real estate fraud.” Pursuant to the State law, County Boards of Supervisors were authorized to establish a fee of \$2 per recorded “real estate instrument, paper or notice” to fund the Trust Fund. The Los Angeles County Board of Supervisors adopted the fee in January 1996.

The CEO organizes and initiates the grant application process to distribute the annual proceeds of the Fund. The Government Code section authorizing the establishment of the Fund does not define award criteria, so grant authority has traditionally been left with the agencies that directly interact with the Real Estate Fraud program. The DA and DCA are the major decision makers, with the Sheriff providing input from the law enforcement perspective. The CEO works with the DA to review and track expenditures, project future grant revenues and provide general financial information and spending recommendations.

The fees are collected by the RR/CC, who keeps 10 percent of the proceeds for administration; 90 percent of the fees are distributed between the DA (60 percent) and law enforcement agencies that have fraud investigative units (40 percent). In FY 2007-08, \$3,305,028 was collected and distributed according to this formula. Law enforcement agencies that received funding include the Sheriff, Los Angeles City Police Department and Inglewood Police Department.

In 2008, legislation was enacted authorizing the fee collected for the Fund to be increased by \$1 to \$3 per recorded “real estate instrument, paper or notice”. The DA and the Sheriff will be filing a separate Board letter recommending that the Board implement this increase. Exhibit 1 also provides further information on the Fund including: a table showing the distribution of funds by agency since the Trust Fund inception; a list of workload and staffing indicators tied to law enforcement funding; and a copy of the District Attorney’s most recent annual report evaluating the effectiveness of the Real Estate Fraud Program.

D. Board Direction: Recommendations on the Outreach and Public Education Efforts - Owner Notification, Assistance and Outreach Program

Since 1997, the County has operated a Homeowner Notification Program pursuant to legislative authority granted solely to Los Angeles County in 1996. Pursuant to the program, the RR/CC provides a notification whereby property owners receive a notice every time a deed, deed of trust or quitclaim deed is recorded. The owner is advised to verify the document for accuracy and to contact DCA for assistance. DCA also conducts educational presentations at senior centers and participates as speakers for groups and events.

A description of the current DCA Real Estate Fraud and Information Program is attached (Exhibit 2). Currently there is no permanent funding source for the DCA program. The program as currently structured does not cover notices of default or sale. Exhibit 3 includes tables showing the number of Notices of Fraud Notification mailings for deeds, deeds of trust and quitclaim deeds; and the number of Notices of Default recorded in LA County from 2002 through 2008, respectively. Exhibit 4, which was prepared by County Counsel, lays out the steps required in a foreclosure based on current legislation.

If the recommended legislative proposal is enacted and your Board agrees to increasing the real estate transaction notification fee, funds would be available to financially stabilize and potentially enhance the DCA public assistance and outreach program. For FY 2009-10, the CEO is recommending County General Fund be used to fund the program only at its current level, which does not include default and foreclosures. With the legislative amendment and affirmative Board action to increase the recordation fee, DCA would be able to augment the assistance and outreach program to include homeowners in default as well as those affected by other real property transactions

As further enhancement of the DCA assistance and outreach program, DCA would also partner with CBOs to distribute educational materials. The immediate two following sections, E and F, provide further information on how these linkages would be implemented.

E. Board Direction: Identification of Issues Pertinent to the County and Its Residents and Their Fiscal and Social Impact

Forecasting the needs of homeowners, renters, residents, communities, social services providers and businesses will be key to successfully addressing the problems caused by real estate fraud, predatory lending and foreclosures. The CEO and DCA met with a number of community based organizations and non-profit groups to identify the issues they see developing:

- Need for a major education and outreach effort as critical to helping residents avoid bad situations;

- Need for outreach to be done in multiple languages – Spanish, Mandarin, Korean and Vietnamese identified initially, with study to be done on other language needs. The recommended action, if fundable, is to translate at minimum into the six non-English languages required by Federal Elections Law: Spanish, Chinese, Japanese, Vietnamese, Tagalog and Korean;
- Use 211 Los Angeles County as the key contact phone number for residents to receive information and referrals to the County and non-profit agencies for assistance with housing related issues;
- Need for centralized information and training for 211 LA County staff to better enable them to direct callers to the right organization for assistance;
- Need for an updated list of referral agencies and their specialty areas so that 211 LA County can direct clients to the right place (HUD counseling service agencies and others);
- Need for development of easy to understand public information describing the foreclosure process and timeline which could be shared with their clients;
- Need for development of programs to assist senior citizens who are losing income-producing properties which are critical to funding their retirement;
- Need for counseling agencies and other CBOs and non-profits to attend Work Source job fairs and other similar events to provide information to attendees;
- Need to develop “tools” to help people help themselves when facing foreclosure or the challenges of dealing with banks to get a loan modification;
- Need for all agencies and individuals to notify the LA County Department of Consumer Affairs and State Department of Real Estate whenever they see or hear about a “scam” operation;
- Need to continue to push at all levels to have financial institutions make effective loan modifications which will help people stay in their homes and make house payments and property tax payments, which will in turn benefit the residents and agencies far more than foreclosing on a property; and
- Need for legislation to help renters by requiring that tenants be given the same default notification as homeowners. This issue is addressed in the proposed legislative measure.

F. Additional Homeowner Assistance and Outreach Strategies

DCA has had a program focused on education and outreach related to real estate fraud and foreclosures called the "Real Estate Fraud and Information Program" that serves approximately 150,000 consumers per year. DCA services currently include complaint intake and triaging; complaint investigation, mediation, and referral; and consumer counseling, education and outreach. DCA provides specific information to help consumers through: its website, distribution of brochures; speaking engagements in the community, and media outreach.

The County financed and Community Development Commission administered Los Angeles County Housing Resource Center (LAC-HRC) provides affordable housing listings, information and links for families and individuals facing foreclosure. LAC-HRC has a web site (<http://housing.lacounty.gov/>) that is operated by a national non-profit, Socialserve.com, which provides regularly updated listings of affordable rental housing available in Los Angeles County. Any person seeking affordable housing in LA County may, at no cost, search for available rental units on the internet, or phone a toll-free Call Center during business hours, where they can receive bi-lingual (English/Spanish) assistance from a trained housing specialist. The website provides for a quick search by location, rent range and unit size which will bring up a detailed list of matching properties. Each property listing contains location, contact information and an extensive list of answers to a wide range of questions ranging from school district, security deposit, pet policy, accessibility and proximity to transportation. Property providers may also post photographs. Socialserve.com's database is a "managed list", which means that leased properties are quickly deleted, and property listings are maintained with a high degree of accuracy. Currently there are over 2,000 available L.A. County rental units in the database, with plans to expand outreach for more landlords and listings.

In late March 2009, the LAC-HRC website will launch additional features to assist homeowners facing foreclosure, persons being evicted due to foreclosure, and first-time homebuyers wishing to purchase foreclosed homes. Additional planning is in process to coordinate the website functions with the County's Seamless Senior Service Initiative recommendations in regards to senior housing. The website is managed by the Community Development Commission. The new foreclosure-related information will be coordinated with 211-LA County, LA County HELPS, Department of Consumer Affairs, CEO, CIO, and the Special Needs Housing Alliance.

In response to the Board's direction, DCA has prepared a one-page fact flier that can be handed out that includes the foreclosure timeline and a simple explanation of what foreclosure is and how the process works. DCA also committed to working closely with the 211 LA County to provide the appropriate reference materials, scripts and training to enable the 211 Community Resource Advisors to route callers quickly and effectively when dealing with real estate fraud and foreclosure-related calls.

Other homeowner assistance and outreach strategies identified by the group of non-profit organizations that will be pursued include:

- Utilization of local ethnic media (televisions and radio);
- Work with the County Channel to develop Public Service Announcements;
- Recommend that DCA develop specific success stories representative of different ethnic populations;
- Utilization of public utilities to include informational notices with billing statements that are mailed to all customers;
- Utilization of e-mail "blasts" to distribute information;
- Utilization of "Google Form" – users can create forms on Google to send to recipients; when recipients respond, Google consolidates responses in one database. This has been a very effective information gathering tool for at least one of the CBOs; and
- Utilization of cable television companies' free community bulletin boards.

The group also discussed places most effective for conducting outreach:

- Schools, including evening/adult schools – Schools were cited as an organization that has high credibility in the community when it comes to sharing this type of information;
- Churches, including ethnic churches – Churches were also cited as institutions with strong credibility in the community;
- Major employers;
- State Employment Development Department;
- Worksource Centers;

- Senior Centers – The special need to reach out to seniors who are experiencing problems with primary or secondary properties was underscored. DCA already makes presentations at senior centers on real estate fraud/foreclosure issues and can incorporate comments into their presentation to also warn seniors about the risk exposure related to income-producing properties which are part of the seniors' retirement plans;
- Markets/grocery stores; and
- Community fairs.

The CEO will continue to coordinate education and outreach meetings with DCA and the CBOs. The CEO has also begun and will continue to meet with DCA and each Board Office to discuss education and outreach strategies for each district, as well as related issues such as nuisance abatement, code enforcement and economic development issues. The CEO will report back to Board with specific recommendations on outreach and education programs, such as financial literacy courses, as well as potential funding sources.

G. Legislative Changes

Current legislation allows the RR/CC to charge a fee of up to \$7 at the time deeds, deeds of trust and quitclaim deeds are recorded to mail the notification and a copy of the recorded document to homeowners. The Board approved fee is currently at \$4. The following legislative changes are recommended to augment the current notification program and provide funding for a sustainable public assistance and outreach program:

- Expand homeowner notification to include the mailing of Notices of Default and Sale;
- Allow for a portion of the fee to be used by Consumer Affairs to provide homeowner assistance and outreach; and
- Require notification to renters of properties going into foreclosure.

County Counsel in consultation with DCA, RR/CC and CEO has drafted legislative language that addresses these areas (Exhibit 5).

H. Federal American Recovery and Reinvestment Act (ARRA) Funding

CEO Intergovernmental Relations worked with departments to review the recently approved ARRA. This review indicates that there are several areas where the County may receive resources or may be able to direct residents to resources that will provide housing assistance, assistance against foreclosures and related assistance. The following is excerpted from our report on the Economic Stimulus Package:

Formula Grant Funding:

- **Community Development Block Grant (CDBG):** The bill includes \$1 billion in Community Development Block Grant funds through regular formula allocations to grantees that received funding in FFY 2008. The County's CDBG allocation is \$7.97 million. In selecting projects to be funded, grantees must give priority to project applicants that can award contracts based on the bids in a timely manner. The Secretary of HUD has authority to waive any statutory or regulatory provisions except for requirements related to fair housing, nondiscrimination, labor standards and the environment to expedite the use of funds.
- **Homelessness Prevention Fund (also known as Emergency Shelter Grant):** The bill includes \$1.5 billion in homeless prevention funds and for helping people who are already homeless. The County's allocation is \$12.197 million and is based on the same formula HUD uses to allocate CDBG funds (rather than the traditional Emergency Shelter Grant formula). The use of these funds is expanded to include short-term rental assistance, housing relocation, and stabilization services for families, as well as credit repair, security or utility deposits, utility payments, case management, and the rapid re-housing of persons who have become homeless. At least 60 percent of the funds must be spent within two (2) years and all funding must be spent in three (3) years. The program has 5 percent administrative cap which translates to approximately \$.6 million for the County. Given that this grant will have new program requirements, the CDC would need to ensure that a minimum of \$200,000 is set aside for internal administrative expenses. In the current and past years, the traditional Emergency Shelter Grant has been passed though in its entirety to the Los Angeles Homeless Services Authority (LAHSA). However, the emphasis of this new funding is significant in that funds are to be used to keep families in their homes and to assist those that have recently become homeless due to the economic downturn.
- **Public Housing Capital Fund:** The bill provides \$4 billion in Public Housing Capital Funds, of which \$3 billion is allocated to public housing agencies (PHAs) using the existing FFY 2008 formula. Of this amount, \$7.4 million has been made available by formula grant to the Housing Authority for the County (HACoLA). The remaining \$1 billion will be available on a competitive basis

(guidelines yet to be determined by HUD) to leverage private capital and for energy conservation retrofit investments. PHAs are to give priority to capital projects that can award contracts within 120 days of enactment, with precedence given to vacant rental units. HACoLA would likely apply for funding in accordance with the following activities:

- Leveraging private sector funding and/or financing for housing renovations and energy conservation;
 - Rehabilitating of units to improve energy efficiency, reduce energy costs, or preserve/improve units with good access to public transportation or employment centers;
 - Expediting rehabilitation projects to bring vacant units into use or by filing an investment gap for redevelopment/replacement housing projects stalled due to an inability to obtain anticipated private capital; and
 - Addressing the needs of seniors and persons with disabilities through improvements to housing and related facilities which attract coordinated delivery of supportive services.
- **Community Services Block Grant:** The bill provides \$1 billion for the Community Services Block Grant (CSBG). The Department of Public Social Services estimates that it will receive \$9.8 million. In addition, CSS estimates that the County will receive \$594,000 for the Native American Program.
 - **HOME:** Approximately \$2.25 billion in additional HOME funds have been approved. HOME provides formula grants to states and localities that communities use to fund a wide range of activities that build, buy, and rehabilitate affordable housing for rent. In FY 2008, of the \$1.628 billion that was made available for HOME programs nationally, \$12.46 million was allocated to the CDC by formula. The new \$2.25 billion is an additional amount for capital investments in Low-Income Housing Tax Credit (LIHTC) projects. These HOME funds will be allocated to state tax credit allocating agencies based on the percentage of HOME funds each state (including its participating jurisdictions) received for FY 2008. State agencies will then distribute the funds competitively to project owners who receive LIHTCs. Allocating agencies must award funds competitively giving priority to projects expected to be completed within three (3) years of bill enactment. As funds in this bill are being allocated to the state, and are dependant on several factors relating to housing projects, the specific funding amount provided to the State is not known at this time. Such funds, however, will be of benefit as they are derived from tax credits provided to individual projects implemented by the CDC.

Federal Competitive Grants

- **Assisted Housing Energy Retrofit Investments:** The bill provides \$2.25 billion for assisted housing stability and energy and green retrofit investments. This total includes \$2 billion for Section 8 project-based rental assistance payments to owners for 12-month periods and \$250 million for grants or loans to upgrade HUD sponsored low-income housing to improve energy efficiency. HUD may provide incentives to owners to undertake energy retrofits and green investments as part of these programs, including, but not limited to, fees for investment oversight and implementation, or to encourage job creation for low- or very-low-income individuals.
- **Neighborhood Stabilization Program (NSP):** NSP is the HUD program created last year under the Housing and Economic Recovery Act of 2008 (HERA) to support state and local efforts to stabilize neighborhoods with high numbers of abandoned and foreclosed-upon homes. From HERA, the County will be receiving \$16.8 million to provide loans to eligible participants to purchase foreclosed or abandoned homes in targeted areas in order to stabilize neighborhoods and stem the decline of house values of neighboring homes. An additional \$2 billion has been made available for this program. The method of allocation, however, will be by competition (as opposed to a formula, as was the case when \$3.9 billion in NSP funding was awarded to States and certain local governments on October 6, 2008). In this, the County will compete with other jurisdictions as well as non-profit organizations based on the areas with the greatest number/percentage of foreclosures. HUD has yet to release the applicable competitive grant guidelines. In awarding funds, HUD is to ensure that grantees are in areas with the greatest number and percentage of foreclosures and can expend funds in a timely manner. Additional award criteria include demonstrated grantee capacity to execute projects, leveraging potential, and concentration of investment to achieve neighborhood stabilization. The bill stipulates that a grantee may not use more than 10 percent of the funds for establishing and operating land banks or demolishing blighted structures unless HUD determines that these activities represent an appropriate response to local market conditions. In addition, HUD may use up to 10 percent for capacity building of and support for local communities.
- **Economic Development Assistance Programs:** The bill provides \$150 million for the Economic Development Assistance programs administered by the Economic Development Administration (EDA) to leverage private investment, stimulate employment, and increase incomes in economically distressed communities. Of this total, \$50 million is available for economic adjustment assistance to help communities recover from sudden and severe economic dislocation and massive job loss due to corporate restructuring. Up to \$50 million may be transferred to federally authorized regional economic development commissions.

Potential Funding Through State Formula Grants

- **Weatherization Assistance Program:** The bill includes \$5 billion for the Weatherization Assistance Program, which is an amount that far exceeds its FFY 2008 funding level of \$227 million. This program funds services to improve the energy efficiency of homes of low-income families. Under its allocation formula, California would receive roughly \$192 million, which also far exceeds the \$6.3 million that the State received in FFY 2008. The State Department of Community Services and Development administers the program. Weatherization assistance service providers include community-based organizations (CBOs) and local government agencies. All of the funded service providers in the County currently are CBOs.
- **Tax Credit Assistance Program:** The bill provides \$2.25 billion in Tax Credit Assistance Program grants to be distributed to state housing credit agencies for capital investments in Low-Income Housing Tax Credits projects. These funds would be allocated to states based on the percentage share of HOME funds each state received for FFY 2008. California's allocation is \$325 million. Allocating agencies must award funds competitively, giving priority to projects that are expected to be completed in a timely manner.

The CEO will work with CDC, HACoLA and other agencies to ensure that the County has projects which can be implemented in a timely manner, whether for formula based programs or competitive programs.

EXHIBIT 1



LOS ANGELES COUNTY DISTRICT ATTORNEY'S OFFICE BUREAU OF FRAUD AND CORRUPTION PROSECUTIONS


STEVE COOLEY • District Attorney
JOHN K. SPILLANE • Chief Deputy District Attorney
CURTIS A. HAZELL • Assistant District Attorney

JANICE L. MAURIZI • Director

March 5, 2009

To: Lari Sheehan, Deputy Chief Executive Officer
Community and Municipal Services
Chief Executive Office

Ellen F. Sandt, Deputy Chief Executive Officer
Operations
Chief Executive Office

From:  Janice L. Maurizi, Director
Bureau of Fraud and Corruption Prosecution
Los Angeles County District Attorney

Subject: DISTRICT ATTORNEY REPORT TO CHIEF EXECUTIVE OFFICE RE
PREDATORY LENDING/REAL ESTATE FRAUD (PL/REF) RESPONSE TO
JANUARY 13, 2009 BOARD MOTION

On January 13, 2009, after discussion and recommendation submitted by Supervisor Ridley-Thomas, the Board directed the Chief Executive Officer (CEO) to report back within 30 days on County multi-jurisdictional, public and private efforts to address the foreclosure and real estate fraud crisis and to explore the feasibility of creating a comprehensive Countywide approach to addressing the impact of real estate fraud.

As a result of this Board action, the CEO convened a stakeholder meeting on February 17, 2009 to discuss the Board proposal and to make recommendations regarding the CEO's response to the Board. As a result of this meeting, the District Attorney's Office was directed to work with the Department of Consumer Affairs (DCA) to provide additional information regarding the existing Real Estate Fraud Task Force and to work with the Sheriff to provide rationale for increasing the Real Estate Prosecution Trust Fund recording fee from \$2.00 to \$3.00 per specified document.

As detailed below, the Office of the District Attorney recommends that:

1. The Board of Supervisors recognize the existing District Attorney Real Estate Fraud Task Force as the appropriate entity to address real estate fraud issues

in Los Angeles County. The Task Force currently provides a comprehensive multi-jurisdictional approach to dealing with the foreclosure and real estate fraud crisis.

2. The current investigative functions performed by the Sheriff, District Attorney, and Department of Consumer Affairs are separate and distinct and should not be considered for consolidation. Without such collaborative efforts, many more victims will fall prey to unscrupulous predators.
3. The Board of Supervisors should immediately approve a \$1.00 per document increase in fees collected by the Registrar-Recorders/County Clerk's office in order to continue to fund the Real Estate Fraud Prosecution Task Force. Such fees should be increased from \$2.00 per document to \$3.00 per document as authorized by Government Code § 27388.
4. The Board of Supervisors should endorse efforts by the Department of Consumer Affairs to expand the scope of documents subject to consumer notification, to allow for follow-up with notified consumers, and to increase the fee charged up to the statutory maximum pursuant to Government Code §§ 27297.6 and 27387.1.

District Attorney Real Estate Fraud Task Force (REFTF)

The REFTF is a multi-jurisdictional task force which was informally created by the Office of the District Attorney in the mid 1990s as a forum to share information about current real estate fraud trends, facilitate investigative efforts between members of the public and law enforcement, and provide a forum for organizations directly linked to victims of real estate fraud. At the time of its inception, a real estate fraud case was defined as a case involving home-equity fraud, escrow fraud, lender fraud, equity-skimming, and securities fraud involving real estate. Early task force members also participated in training and continuing education seminars.

REFTF was instrumental in drafting G. C. §27388 which established the statewide Real Estate Fraud Prosecution Trust Fund with the allocation of a one dollar per recorded document fee designated for fraud investigation and prosecution. [Note: This document fee was increased per legislation to \$2.00 per document and is the subject of further recommendations described below].

REFTF meetings were held monthly. Early task force participants included attorneys and investigators from the District Attorney Real Estate Fraud Division and representatives from the Los Angeles County Department of Consumer Affairs, California Department of Real Estate, California Department of Corporations, Los Angeles County Sheriff's Department, Federal Bureau of Investigation, Internal Revenue Service, local police agencies, and Bet Tzedek.

At a 1998 Task Force meeting, the mission statement of the District Attorney Real Estate Fraud Unit was disseminated and informally adopted as the task force mission. Although the unit handles complex cases involving high dollar losses or other sophisticated real estate scams, the policy recognized that emphasis must also be placed on "... the prosecution of cases involving low income and unsophisticated victims, especially those at risk of losing their homes due to illegal foreclosure and other unscrupulous conduct [and] ... to protect the elderly and poor residents in our county who are most vulnerable to fraudulent schemes involving the subtle complexities of property law."

In the early 1990's, a long standing real estate scam was uncovered when it was discovered that a Beverly Hills businessman, Marshall Redman, had been advertising for sale 2,500 illegally subdivided parcels of land in the Antelope Valley and Kern County to mostly Spanish speaking immigrants. The buyers were unaware that the parcels were illegally subdivided and they could not build homes on the property without the consent of all other parcel owners. Redman also made false promises to buyers regarding utilities and other improvements as an inducement to purchase the land. In 1995, after the creation of the REFTF and roughly concurrent with the drafting of the Real Estate Fraud Prosecution Trust Fund, a civil suit was brought by the Los Angeles City Attorney and Kern County District Attorney. As a result of the lawsuit, Redman agreed to pay \$580,000 in civil fines and costs. His \$30 million assets were placed in receivership. More than 100 building and subdivision violations were uncovered and in 1996, the Los Angeles County District Attorney's office charged Redman with 29 counts of grand theft, filing false or fraudulent documents, and numerous Business & Professions Code violations. Redman ultimately pled guilty to five felony counts of grand theft and two counts of filing false documents.

In the wake of tremendous publicity and outrage surrounding what came to be known as the "Redman case", Supervisor Michael Antonovich moved the Board to instruct the Chief Administrative Officer to convene a task force of County departments, other agencies, industry groups, and other interested individuals to develop recommendations on how to prevent the recurrence of the type of real estate fraud involved with the Redman transactions. The newly created Land Sales Task Force was directed to 1) examine development of an "early warning system" to provide early detection of emerging fraud involving unimproved real property, and 2) determine the feasibility of enacting greater regulation of land sales contracts.

The report and recommendations of the Land Sales Task Force were adopted by the Board of Supervisors in December, 1995. The recommendations included:

1. Create an "Early Warning System" with Department of Consumer Affairs designated as the central reporting agency for real estate fraud.

2. Assessor, DRP, and DPW to designate representatives *to attend the monthly meetings of the District Attorney Real Estate Fraud Task Force.*

3. Develop Legislative Remedies for unimproved land sales.

(Note: In part, as a result of these recommendations, the Department of Consumer Affairs was successful in seeking the amendment of G.C. § 27297.6 and the passage of G.C. § 27387.1. Read together, this legislation, which is unique to Los Angeles County, requires written notice to consumers of specified real estate transactions and allows a fee of up to \$7.00 per document to be collected to cover the cost of mailing such notices. Recommendations to amend this legislation to expand the scope of documents subject to notification, allow fees to be utilized for follow-up, and increase the current fee of \$4.00 per document up to the statutory maximum of \$7.00 per document is the subject of a separate report from the DCA and should be part of the CEO's recommendation to the Board.)

Although the Land Sales Task Force was a temporary, ad hoc committee designed to address issues raised in the Redman case and to prevent further such abuses, REFTF was recognized for its innovative work in this field and recommendations of the Land Sales Task Force were adopted into its mission.

Since its inception in the mid 1990's, REFTF has continued to evolve in an effort to remain responsive to emerging frauds and scams. As the economy continues to falter, new and innovative real estate scams are becoming commonplace.

Predatory lending practices, which may not in and of themselves be illegal, are causing citizens to lose their property or otherwise become targets for loan modification or "rescue" scams, fractionalized deeds, and property tax reduction scams. Because of the participation of such a wide variety of federal, state and local law enforcement, prosecutorial and governmental agencies, REFTF is uniquely qualified to uncover the newest scams and indirectly respond to the needs of the public by preventing and prosecuting such crime, whatever form it takes. The Task Force also provides a forum for investigators new to real estate fraud to have the opportunity to discuss specific investigations and gain insights and occasionally, legal advice from more experienced members. DCA regularly updates attendees on the number of foreclosures filed, complaints lodged with its investigators, trends in the real estate market, and direct contact with members of the public.

Individual task force members continue to be ad hoc however all law enforcement agencies that receive grant funding from the Los Angeles County Real Estate Fraud

Prosecution Trust Fund ("Trust Fund") regularly send participants. These agencies include the District Attorney Bureau of Investigation, Real Estate Fraud Unit, the Sheriff Department Commercial Crimes Bureau/Real Estate Fraud Unit, Los Angeles Police Department Financial Crimes/Real Estate Fraud Units, and the Inglewood Police Department Real Estate Fraud Unit. All police agencies are welcome and smaller departments throughout Los Angeles County routinely send representatives. Regular members also include the California Department of Real Estate, California Department of Corporations, DCA, Registrar-Recorder/County Clerk, Los Angeles County Regional Planning Department, Federal Bureau of Investigation, and the U.S. Department of Housing and Urban Development. Prosecutors from neighboring counties such as Orange, San Diego, Bakersfield, San Bernardino, and Riverside often attend. Recently a contingent of police and prosecutors from Minnesota sent representatives to attend the meeting in the hope of replicating its success.

REFTF continues to be proactive as well as reactive. In 2008, task force members toured the Registrar-Recorder/County Clerk's office to witness the recordation process and study newly implemented procedures to help reduce fraudulent recordings. As a result of this visit, the District Attorney requested online access to Registrar-Recorder/County Clerks Vital Records Index for the sole purpose of conducting official District Attorney business. Such efforts were already underway prior to the January 13, 2009 Board Action which is the subject of this report. Since that time, *"Memorandum of Understanding between the Department of the Registrar Recorder/County Clerk and District Attorney For Online Access to Vital Record Index"* has been signed. Applications for District Attorney personnel are currently being processed and we anticipate on line access to be available within the next few weeks. (A copy of the Memorandum of Understanding is attached hereto as Exhibit A.)

Additionally, members continue to monitor legislative proposals and draft new legislation. Most recently the District Attorney sponsored Legislation to increase regulation on notaries to ensure integrity and accountability in this arena. Specifically AB 886 was passed in 2008 amending Civil Code §1189, G.C. §§8206 and 9202 and Civil Code §1185. As a result of these legislative actions, notaries are now required to acknowledge signatures under penalty of perjury, surrender their journal upon request by law enforcement, and may no longer identify the person signing based on the notary's personal knowledge of their identify in lieu of requiring specified written identification.

REFTF is currently chaired by Deputy District Attorney Hilda Weintraub, and meets on the first Wednesday of every month at 10:30 a.m. in the District Attorney's Office located at 201 North Figueroa Street, Los Angeles. (A copy of the sign-in sheet or regular attendees is attached as Exhibit B.)

Additional Goals and Objectives Given January 13, 2009 Board Motion

Agenda Item 44E(e) of the BOS January 13, 2009 Regular Agenda further recommends the review of the function of Sheriff's Department detectives, District Attorney Investigators, and Investigators with the Department of Consumer Affairs to identify recommendations for streamlining or consolidating functions.

With real estate related frauds mushrooming, every investigative avenue is essential. The Los Angeles County District Attorney's Bureau of Investigation (BOI) and the Los Angeles County Sheriff's Department (LASD) vertically handle cases of original jurisdiction. Each agency receives complaints directly from victims of fraud. Additionally, BOI assists smaller, local police agencies with their investigations and conducts follow-up for attorneys on filed cases. LASD investigates real estate related fraud cases throughout Los Angeles County. Real estate fraud scams are enormously complex and even trained, experienced investigators often take a year or more to compile necessary documents, identify victims, complete the forensic analysis, and identify perpetrators.

DCA is often the first resort of concerned citizens or potential victims. DCA Investigators respond to each citizen complaint. They separate those complaints which can be resolved through counseling or mediation, from those cases which must be handled by law enforcement.

Each of these agencies is experiencing unprecedented staffing shortages as scams continue to escalate. Each of these agencies has requested additional funding either through the Trust Fund or Government Code sections discussed infra. Any attempt to "streamline" or "consolidate" would further exacerbate, impede or delay investigative efforts and might prevent prosecution altogether if statutes of limitations expire before prosecutions can be commenced.

Real Estate Fraud Prosecution Trust Fund

In 1995, G.C. § 27388 established the Trust Fund to "fund programs to enhance the capacity of local police and prosecutors to deter, investigate, and prosecute real estate fraud crimes." In order to fund this trust, county boards of supervisors were authorized to establish a fee of \$2.00 per recorded "real estate instrument, paper or notice". After deduction of administrative costs, 60% of funds collected were to be distributed to district attorney offices and 40% to local law enforcement agencies.

In January 1996, the Los Angeles County Board of Supervisors adopted a resolution to implement the program by authorizing the collection of \$2.00 per specified recorded real estate document.

In 2008, the Legislature amended G.C. § 27388 to authorize county boards of supervisors to increase the fee from \$2.00 per specified recorded document to \$3.00 per specified recorded document.

It is recommended that the Board of Supervisors immediately adopt a resolution to increase this fee to the maximum allowable \$3.00 per document in order fund the increased demand for investigation and prosecution necessitated by the explosion of real estate fraud crimes. As the economy continues to falter, unemployment continues to increase, and real estate values continue to decline, more and more citizens of Los Angeles County are having difficulty staying current on their mortgages and are vulnerable to unscrupulous predators who promise relief from foreclosures, squat on vacant property, fractionalize deeds, and lease property for which they have no ownership interest. Whether through real estate tax reapportionment scams, loan modifications, or forged deeds, it is often the elderly or low income property owners who are most vulnerable.

In the 2007-2008 fiscal year, the Trust Fund received \$3,305,028. The Registrar-Recorder/County Clerk charged the Trust Fund \$330,502 for administrative costs leaving a balance of \$2,974,525 for prosecution and investigation. The District Attorney's Office received 60% of those funds or \$1,784,715.67, but spent a total of \$3,330,749.67 for salaries and benefits, indirect costs, equipment, mileage, travel and training and other operating expenses.

Although the Los Angeles County District Attorney's office has been able to maintain staffing levels despite the shortfall, by supplementing the Division, the Los Angeles County Sheriff's Department has not been so fortunate. LASD has projected a budget deficit despite significant staffing cuts. Because of the budget shortfall, LASD expects to be forced to further reduce staffing to one or two real state investigators for next fiscal year, thus reducing its ability to investigate the very foreclosure and predatory loan schemes noted in Supervisor Ridley-Thomas motion.

It should be noted also that budget shortfalls will continue to curtail effective investigation even with the \$1.00 per document increase because real estate transactions themselves are down. Because of the downturn in the economy and a 12-year-old ceiling on the fees collected, expenditures have greatly exceeded revenues at a time when fraud complaints are increasing exponentially.

A copy of the Los Angeles County District Attorney's Office income/expenditure spreadsheet and Los Angeles Sheriff's Department law enforcement trust spreadsheet are attached for review as Exhibits C and D.

As required by G.C. §27388(d), the District Attorney's office submitted its "District Attorney's Annual Report For Review Of The Effectiveness of the Real Estate Fraud Program Pursuant To Govt. Code Section 27388" to the Board of Supervisors on February 5, 2009. A copy of that report is attached as Exhibit E for your review and consideration. Additionally, the proposed increase was presented to the Los Angeles County Public Safety Cluster Agenda Review on several occasions, most recently on February 25, 2009 and has been placed on the March 24, 2009 Board agenda. (Exhibit F).

Government Code Section 27297.6

G.C. §27297.6 authorizes the Los Angeles County Board of Supervisors to direct the Los Angeles County Registrar-Recorder/County Clerk to notify parties when specified deeds were recorded against their property. The Board was further authorized pursuant to G.C. § 27387.1 to collect a fee from the party filing the specified deed of up to \$7.00 per document. To date, the Board has authorized the collection of only \$4.00 per recorded document.

DCA has recommended that the Board of Supervisors support an amendment to G.C. § 27297.6 to add "Notice of Default" to the list of documents subject to the recording fee and to allow DCA to utilize such fees not only to notify consumers of specified deeds recorded against their property, but also to provide follow-up assistance to consumers who receive such notices.

DCA has been an invaluable partner in REFTF since its inception. DCA investigators routinely screen citizen complaints and conduct follow-up investigations. DCA also offers counseling services and in some cases "office hearings" to counsel those who commit such fraud. DCA frequently brings new fraud schemes and specific targets to the attention of the task force. The proposed amendments and an increase in the fees allowed by G.C. §27387.1 would allow DCA to expand their capacity to conduct intake investigations and where appropriate counseling or mediation services, which in turn allow law enforcement to concentrate on more complex frauds, execute search warrants, arrest violators and prosecute the cases.

The Los Angeles County District Attorney's Office supports this amendment and recommends that the Board endorse such legislation.

Conclusion

The existing District Attorney Real Estate Fraud Task Force is the appropriate entity to address real estate fraud issues in Los Angeles County. Investigative staff from the District Attorney, Los Angeles County Sheriff, and Department of Consumer Affairs, perform separate and distinct functions which are essential to the success of Task Force efforts. The Los Angeles County Board of Supervisors can and should

supplement these efforts by increasing the recording fee collected pursuant to Government Code § 27388 to \$3.00 per document and by supporting legislation to expand the scope of Government Code §§ 27297.6 and 27387.1.



COUNTY OF LOS ANGELES
MEMORANDUM OF UNDERSTANDING
BETWEEN
DEPARTMENT OF THE REGISTRAR-RECORDER/COUNTY CLERK
AND
DISTRICT ATTORNEY
FOR
ONLINE ACCESS TO VITAL RECORDS INDEX

February 2009

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ATTACHMENTS:

- 1 USER REGISTRATION FOR ACCESS TO THE REGISTRAR-
RECORDER/COUNTY CLERK DATA CENTER
- 2 REGISTERED DISTRICT ATTORNEY USER INFORMATION

**MEMORANDUM OF UNDERSTANDING
BY AND BETWEEN THE LOS ANGELES COUNTY
DEPARTMENT OF THE REGISTRAR-RECORDER/COUNTY CLERK
AND DISTRICT ATTORNEY FOR
ONLINE ACCESS TO VITAL RECORDS INDEX**

This Memorandum of Understanding ("Agreement") is made and entered into effect as of _____ 2009 by and between the Department of the Registrar-Recorder/County Clerk ("RR/CC"), and the District Attorney ("DA"). RR/CC and DA are hereinafter referred to collectively as the "Parties" and each individual as a "Party".

I. PURPOSE

The purpose of this Agreement is to provide DA with online access to view RR/CC's Vital Records Index ("VR Index") for the sole purpose of conducting official DA business.

(Department to provide a brief paragraph of the tasks or services that require Department to view/gain information from VR Index.)

II. SCOPE

Pursuant to this Agreement RR/CC will provide DA with online access to RR/CC's Your Online Document Access ("YODA") System to view the VR Index which will allow DA to view indexes of birth, death, and marriage records for the sole purpose of conducting official departmental business. DA shall not provide the VR information available on YODA to anyone within DA for any purpose other than official business. DA shall not provide VR Index information available on YODA to any person, including but not limited to, any agency, business, or department, including any other County department, without the express written consent of RR/CC.

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

III. RR/CC RESPONSIBILITIES

1. Upon the written request of the DA, RR/CC shall evaluate the request for access and determine if such request is deemed valid. If the request is deemed valid, system access will be granted. Once the Agreement has been executed, RR/CC shall then provide connection information and user accounts to allow the DA employees' access to RR/CC's YODA System to view VR Index for the sole purpose of conducting official departmental business.
2. RR/CC shall provide DA with online access to YODA at no cost. However, in the event that any unforeseen additional cost or fees are incurred by RR/CC in

connection with DA's online access to the VR Index, including but not limited to, any licensing fees or costs which may be imposed by software manufacturers, RR/CC shall notify DA in advance of imposing said fees/costs and a negotiated Amendment shall be executed between both Parties in accordance with Section V (General Terms), Paragraph 5 of this Agreement.

IV. DA RESPONSIBILITIES

1. DA shall cause each DA employee assigned access to YODA to complete and sign a User Registration for Access to the Registrar-Recorder/County Clerk Data Center form. A sample copy of the user registration form is attached hereto for informational purposes as Attachment 1. Upon execution of this Agreement the RR/CC Public Records Division Manager shall provide DA with the user registration form to be completed and signed for each DA employee assigned access to YODA and herein incorporated as part of this Agreement. The user registration form shall also be used by DA for any changes or deletions to DA employee access. DA shall submit a user registration form to RR/CC prior to any employee access changes or deletions no later than five (5) business days after occurrence. User registration forms, once signed by the authorizing DA manager, shall be addressed to RR/CC's contact as set forth in Section V, (General Terms) of this Agreement.
2. DA shall maintain the confidentiality of all information obtained from the VR Index in accordance with all applicable Federal, State and local laws, rules and regulations, ordinances, directives, guidelines, policies and procedures.
3. DA shall restrict its use of the VR Index to official DA business.
4. DA shall establish mutually satisfactory and appropriate procedures, approved by the RR/CC, to ensure that all information is safeguarded from improper disclosure in accordance with all applicable Federal, State, and local laws, rules and regulations, ordinances, directives, guidelines, policies and procedures, and shall inform all of its officers, employees, and agents having access to the VR Index of the confidentiality provisions of this Agreement.
5. RR/CC retains the right to audit DA compliance with the terms and conditions of this Agreement. In the event that an audit is conducted by RR/CC or any state or federal auditor in connection to this Agreement, DA shall be solely liable for its prospective audit findings and sanctions, if any.
6. DA shall not copy or modify any computer software associated with the services provided under this Agreement.
7. DA shall complete Attachment 2 (Registered User Information) which shall be attached as part of this Agreement.

V. GENERAL TERMS

1. This Agreement shall take effect upon the signatures of both Parties and shall remain in effect until terminated in accordance with Section V (General Terms), Paragraph 4 of this Agreement.
2. The term of the Agreement shall commence upon the Effective Date and run consecutively for one (1) year. The Agreement will automatically renew in one (1) year increments unless one or both Parties object or there are modifications to the Agreement which would require mutual agreement and signature of both Parties. The term of the Agreement, including renewal periods, shall not exceed ten (10) years.
3. On an annual basis the Parties shall review the Agreement for desired changes/modifications. Such review shall be completed by the Agreement anniversary date. Notification to any changes/modifications shall be made at least 90 days prior the anniversary date. Any changes/modifications to the Agreement shall be executed per Section V (General Terms), Paragraph 5 of this Agreement.
4. Either Party may terminate this Agreement by giving thirty (30) days prior written notice to the other Party hereto.
5. It is mutually agreed that this Agreement may be modified or amended by either Party and modification shall become effective upon the written mutual consent of the Parties hereto.
6. Online access to YODA under this Agreement is solely to allow DA to view the VR Index for the sole purpose of conducting official departmental business.
7. Each Party will appoint a person to serve as the official contact and coordinate the activities of each department in carrying out this Agreement. Unless otherwise provided under this Agreement, all notices, submissions or deliveries to be made to RR/CC and DA under this Agreement shall be directed as indicated below.

The RR/CC contact for this MOU is:

Kathy Treggs, Division Manager
Registrar-Recorder/County Clerk
Public Records Division
12400 Imperial Highway, Room 5001A
Norwalk, CA 90650
Telephone No: (562) 462-2081
Fax No: (562) 868-5139
Email: KTreggs@rrcc.lacounty.gov

and

The (Department) contact for this MOU is:

(Name, Title)
(Department)
(Division/Bureau)
(Address)
(City, State, Zip)
Telephone No:
Fax No:
Email:

VI. SOFTWARE OWNERSHIP AND LICENSING

Subject to the terms and conditions herein and any use restrictions set forth in this Agreement, RR/CC grants DA a non-exclusive, non-transferable license to use RR/CC's Your Online Data Access System to view the VR Index for official departmental business purposes only. The license shall commence on the effective date of this Agreement and shall continue in effect until termination of this Agreement.

In addition, RR/CC reserves the right to grant DA additional non-exclusive, non-transferable license(s) to use YODA or any applicable system replacing YODA.

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**COUNTY OF LOS ANGELES MEMORANDUM OF UNDERSTANDING
BETWEEN DEPARTMENT OF REGISTRAR-RECORDER/COUNTY CLERK
AND DISTRICT ATTORNEY FOR ONLINE ACCESS TO VITAL RECORDS
INDEX**

IN WITNESS THEREOF, and executed as of the date first above written, the Parties to this Agreement do hereby agree and consent to all terms and conditions provided herein.

COUNTY OF LOS ANGELES
REGISTRAR-RECORDER/COUNTY
CLERK

DEAN C. LOGAN
Registrar-Recorder/County Clerk

COUNTY OF LOS ANGELES
DISTRICT ATTORNEY

STEVE COOLEY
District Attorney



USER REGISTRATION FOR ACCESS REGISTRAR-RECORDER/COUNTY CLERK DATA CENTER AGENCIES

1) Date: _____ 2) Check One: ☐ Add ID ☐ Delete ID: ☐ Change Access

3) Logon ID (change and delete only): _____

USER INFORMATION:

4) Full Name: _____ 5) Work Phone #: () _____

6) Agency Name: _____ 7) Supervisor: _____

8) Work Address: _____

9) Employee Status (Check and complete one):

☐ County Employee# _____

10) Purpose for access: _____

CHECK REQUIRED FUNCTIONS:

RECORDER SYSTEMS
VITAL RECORDS
<input type="checkbox"/> Vital Records Inquiry

SIGNATURE APPROVAL:

13) EMPLOYEE SIGNATURE _____

14) PHONE _____

DATE _____

15) AUTHORIZING MANAGER SIGNATURE _____

16) PHONE _____

DATE _____

Forms will not be accepted if incomplete.

TECHNICAL SERVICES USE ONLY:

MANAGER, RECORDER & MANAGEMENT SERVICES INITIALS _____

MAJOR GROUP CODE: GR ACCOUNT #: A1130082370 BIN #: B12
RJE ACCESS NEEDED: N LOCAL SECURITY GROUP _____ TSO CODE: RV

ACF2 _____ TSO _____ NAT _____ GRPS _____ APPL _____ RV _____ BY: _____ DATE: _____

Return Original Forms to:
Manager, Public Records Division, 5th Floor, Room 5001A.

ACKNOWLEDGEMENT OF DATA SECURITY RESPONSIBILITIES REQUIRED FOR ACCESS TO ANY SYSTEM

It is the policy of Los Angeles County that all persons accessing County Computer Systems, whether they be permanent, temporary, part-time, contract employees, or non-county users, are personally responsible for the protection of all County information and information processing resources that they have access to.

I hereby acknowledge that I will be held accountable for my actions in ensuring the privacy, integrity and availability of County data. I understand that my responsibilities include, but are not limited to, the following specific activities.

- I will use County data and computing resources for County management approved purpose only.
- I will protect my password and other systems access keys entrusted to me to do my job.
- I will not share my password, even if asked to do so.
- I will protect computer workstations from unauthorized use.
- I will log off before leaving the workstation.
- I will not copy any licensed or copyright software or associated documentation, even if asked to do so.
- I will bring security exposure, misuse or non-compliance situations to management's attention immediately.

I recognize that my failure to fulfill these responsibilities could result in someone abusing County resources or data while using my ID, and that the County may hold me responsible for such abuse.

EMPLOYEE NAME (PRINT)

EMPLOYEE SIGNATURE

COUNTY EMPLOYEE NUMBER

DATE

VITAL RECORDS ACCESS – SECURITY ACKNOWLEDGEMENT REQUIRED FOR ACCESS TO VITAL RECORDS SYSTEM

I hereby acknowledge that I will be held accountable for my actions when using the RR/CC resources. I understand that I am bound by the following:

- Any analyses, interpretations, or conclusions reached regarding the birth or death record indices are those of my own and not the State Department of Health Services.
- Any technical description of the birth and death record indices will be consistent with those provided by the State Department of Health Services.
- I will NOT allow public access to the birth or death indices.
- I will NOT sell, assign, or otherwise transfer the birth or death record indices.
- I will NOT use the birth or death record indices for fraudulent purposes.
- I will NOT post the birth and death record indices or any portion thereof on the Internet.
- I will NOT leave my session unattended.

Violation of these rules will result in denied access to the indices and may result in possible misdemeanor charges punishable by imprisonment in the county jail for a period not to exceed one year, or a fine of one thousand dollars (\$1000) or by both the imprisonment and the fine, for each violation.

I have read and fully understand the above acknowledgement. I recognize that my willful or negligent failure to fulfill these responsibilities could result in the abuse of Registrar-Recorder/County Clerk information resources and data, and that the Registrar-Recorder/County Clerk and the County may hold me responsible for such abuse.

I certify (or declare) under penalty of perjury that the foregoing is true and correct:

EMPLOYEE SIGNATURE

PLACE (CITY) SIGNED

Authorizing Manager Signature

MANAGER NAME (PRINT)

MANAGER SIGNATURE

PHONE

DATE

**REAL ESTATE FRAUD
TASK FORCE SIGN IN**

DATE: _____

Initials	Last Name	First Name	Agency	Assignment
	Andujo	Denise	LADA	REF
	Gilinetts	Alex	LASD	REF
	Bailey	John	Riverside DA	REF
	Bankston	Yolande	DRE	RE Enforcement
	Barnes	Lyle	LAPD	REF
	Barrera	Ray	LADA	REF
	Beckstrand	Peggy	LADA	D.I.C. REF
	Bertrand	Paul	FBI	Bank/Mortgage fraud
	Bradburn	Kevin	LBPD	Forgery/Fraud
	Budge	Key	LASD	REF
	Camphouse	Erin	LAPD	REF
	Castro	John	LADAI	REF
	Cherry	Yolanda	DOC	Sr. Examiner
	Crenshaw	Regina	LADAI	REF
	Curtin	Robert	Riverside DA	Major Fraud
	Deleon	Brian	LADAI	REF
	Dewachter	Dirk	Inglwd PD	Det. Bureau
	Dobes	Thomas	LASD	Elder Fraud
	Dowell	Eric	TPD	Economic Crimes
	Dransfeldt	Chris	LaVerne PD	Fraud
	Farfan	Richard	LBPD	I.D. Theft
	Fleck	David	LADA	REF
	Fraga	Armando	LADAI	Major Fraud
	Glorioso	Luz	LAPD	REF
	Gomez	Greg	TPD	Economic Crimes
	Gonzales	Donna	Riverside DA	REF
	Gutierrez	Maritza	DCA	Investigations
	Hebeish	Wally	LBPD	Forgery/Fraud
	Hornick	Frankie	DOC	Sr. Examiner
	Ihde	Phillip	DRE	RE Enforcement
	Jeske	Belen	Riverside DA	REF

**REAL ESTATE FRAUD
TASK FORCE SIGN IN**

DATE: _____

	Jonas	Jeff	LADA	HD - MFD
	Kahana	Tal	LADA	REF
	Keus	Kevin	Hawthorne	Det. Bureau
	Kim	Andy	LADAI	REF
	Klein	Sandy	USTP	U.S. Trustee
	Larsh	Jim	Riverside DA	REF
	Lawrence	Sharon	FBI	Mortgage fraud
	Lee	Mark	Riverside DA	REF
	Lim	Roberto	LADAI	REF
	Matute	Angel	LASD	REF
	McCants	Dana	LASD	REF
	McCarthy	Paul	L.A. County	DRP
	McFetridge	George	OCDA	Economic Fraud
	McLin	Robert	LASD	REF
	Megerle	Todd	LASD	Elder Fraud
	Mejia	Clemente	DCA	Investigations
	Mueller	Walter	LADA	REF
	Munoz	Ernest	LAPD	REF
	Murray	Grainne	LAPD	REF
	Palomino	Maria	LADA	AHD - MFD
	Penland	Shonté	LADA	REF
	Peters	Clayburn	LADA	REF
	Pewitt	Karen	LADAI	REF
	Putzulu	Tony	HUD-OIG	FHA loans
	Sabatine	Ron	LASD	Commerical crimes
	Sanchez	Andre	LBPD	I.D. Theft
	Schirmer	Greg	LBPD	Forgery/Fraud
	Stack	Dan	Riverside DA	REF
	Suttles	Dan	Glendale PD	Forgery/Fraud
	Syta	Tom	FTA	REF
	Todak	James	HUD-OIG	
	Trujillo	Robin	DRE	REF
	Watters	Dennis	LASD	REF

DATE: _____

[illegible]

LOS ANGELES COUNTY DISTRICT ATTORNEY'S OFFICE
REAL ESTATE FRAUD

FISCAL YEAR	AMOUNT AVAILABLE FOR DISTRIBUTION				DISTRICT ATTORNEY			OTHER JURISDICTIONS		
	Total Collected	%	Amount to Registrar	Amount Available for Distribution	60% of Amount Available	Expenses	Balance	40% of Amount Available	Total Expenditures	Balance
1995-1996	1,124,036.00	0.24	269,768.84	854,267.16	512,560.42	496,719.28	15,841.14	341,706.94	0.00	341,706.94
1996-1997	3,048,592.00	0.24	731,662.08	2,316,929.92	1,390,157.95	1,405,999.09	(15,841.14)	928,771.97	236,130.36	890,641.61
1997-1998	3,369,478.00	0.24	815,874.72	2,553,603.28	1,550,161.97	1,550,161.96	0.01	1,033,441.31	804,151.39	229,289.92
1998-1999	4,120,482.00	0.24	988,915.68	3,131,566.32	1,878,939.78	1,153,205.94	725,733.85	1,252,626.53	946,520.95	306,105.58
1999-2000	3,511,940.00	0.24	842,865.20	2,669,074.80	1,601,444.88	1,434,789.86	166,674.92	1,067,629.92	1,110,588.86	(43,058.74)
2000-2001	3,434,448.00	0.17	567,886.16	2,866,761.84	1,720,057.10	1,509,424.29	210,632.81	1,146,704.74	1,464,745.86	(318,041.12)
2001-2002	4,952,128.00	0.10	495,212.80	4,456,915.20	2,674,149.12	2,169,078.15	505,070.97	1,782,766.08	1,337,968.82	444,797.26
2002-2003	6,806,254.00	0.10	680,625.40	6,125,628.60	3,667,377.16	2,231,839.93	1,335,537.23	2,378,251.44	1,482,593.26	895,658.18
2003-2004	7,043,371.00	0.10	704,337.10	6,339,033.90	3,803,420.34	2,815,590.72	987,829.62	2,535,613.56	1,853,556.22	682,057.34
2004-2005	6,059,154.00	0.10	605,915.40	5,453,238.60	3,271,943.16	2,932,864.09	339,079.07	2,181,295.44	2,186,406.49	(5,111.05)
2005-2006	5,488,218.00	0.10	548,821.80	4,939,396.20	2,963,637.72	2,911,277.65	52,360.07	1,975,758.48	2,074,665.91	(98,907.43)
2006-2007	4,844,138.00	0.10	484,413.80	4,359,724.20	2,615,834.52	3,427,888.07	(812,054.55)	1,743,889.68	2,913,313.03	(1,169,423.35)
2007-2008*	3,305,028.00	0.10	330,502.80	2,974,525.20	1,784,715.12	3,330,749.67	(1,546,034.55)	1,189,610.08	2,255,105.74	(1,065,295.66)

*Includes FY07-08 expenditure reimbursements made to local jurisdictions in FY08-09

TOTALS	56,937,267.00	8,046,601.58	48,890,665.42	29,334,399.25	27,369,589.80	1,964,829.45	19,556,266.17	18,665,846.69	890,419.48
REAL ESTATE FRAUD FUND BALANCE									
DISTRICT ATTORNEY									
LOCAL AGENCIES									
Available Balance									
2,855,248.93									

LOS ANGELES COUNTY DISTRICT ATTORNEY'S OFFICE
REAL ESTATE FRAUD PROGRAM

LOS ANGELES COUNTY DISTRICT ATTORNEY'S OFFICE
REAL ESTATE FRAUD PROGRAM

FISCAL YEAR	AMOUNT AVAILABLE FOR DISTRIBUTION				DISTRICT ATTORNEY			OTHER JURISDICTIONS		OTHER JURISDICTIONS EXPENDITURE DETAIL							
	Total Collected	%	Amount to Registrar	Amount Available for Distribution	60% of Amount Available	Expenses	Balance	40% of Amount Available	Total Expenditures	Balance	SHERIFF	INGLEWOOD POLICE	LOS ANGELES POLICE	BURBANK POLICE	RIVERSIDE POLICE	LONG BEACH POLICE	ADJUSTMENT
1996-1997	1,124,036.00	0.34	260,768.84	863,267.16	517,860.30	480,712.28	15,841.14	341,706.84	0.00	341,706.84	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1997-1998	3,046,692.00	0.34	731,642.08	2,315,049.92	1,390,157.05	1,406,599.09	(15,841.14)	928,771.97	731,642.08	197,129.89	172,102.76	52,867.00	0.00	11,160.88	0.00	0.00	0.00
1998-1999	3,309,476.00	0.34	818,974.72	2,490,501.28	1,495,101.87	1,551,161.88	5,511.01	1,033,443.41	818,974.72	274,468.69	52,867.00	111,448.00	0.00	6,000.00	0.00	0.00	0.00
1999-2000	4,170,462.00	0.34	988,812.88	3,181,649.12	1,909,036.27	1,954,168.58	175,132.31	1,033,443.41	988,812.88	342,836.24	52,867.00	111,448.00	0.00	6,000.00	0.00	0.00	0.00
2000-2001	3,434,466.00	0.17	587,898.16	2,846,567.84	1,708,051.10	1,754,168.58	184,671.92	1,033,443.41	1,033,443.41	0.00	52,867.00	111,448.00	0.00	6,000.00	0.00	0.00	0.00
2001-2002	4,892,138.00	0.10	488,272.80	4,403,865.20	2,674,148.12	2,188,078.15	210,632.81	1,448,704.74	1,448,704.74	0.00	52,867.00	111,448.00	0.00	6,000.00	0.00	0.00	0.00
2002-2003	6,802,344.00	0.10	680,234.40	6,122,109.60	3,674,148.12	2,218,078.15	210,632.81	1,448,704.74	1,448,704.74	0.00	52,867.00	111,448.00	0.00	6,000.00	0.00	0.00	0.00
2003-2004	6,005,244.00	0.10	600,524.40	5,404,719.60	3,242,148.12	2,218,078.15	210,632.81	1,448,704.74	1,448,704.74	0.00	52,867.00	111,448.00	0.00	6,000.00	0.00	0.00	0.00
2004-2005	6,005,244.00	0.10	600,524.40	5,404,719.60	3,242,148.12	2,218,078.15	210,632.81	1,448,704.74	1,448,704.74	0.00	52,867.00	111,448.00	0.00	6,000.00	0.00	0.00	0.00
2005-2006	5,488,218.00	0.10	548,821.80	4,939,396.20	2,963,677.72	2,963,677.72	0.00	2,963,677.72	2,963,677.72	0.00	52,867.00	111,448.00	0.00	6,000.00	0.00	0.00	0.00
2006-2007	4,844,138.00	0.10	484,413.80	4,359,724.20	2,611,277.65	2,611,277.65	0.00	2,611,277.65	2,611,277.65	0.00	52,867.00	111,448.00	0.00	6,000.00	0.00	0.00	0.00
2007-2008	3,308,018.00	0.10	330,801.80	2,977,216.20	1,781,713.12	1,781,713.12	0.00	1,781,713.12	1,781,713.12	0.00	52,867.00	111,448.00	0.00	6,000.00	0.00	0.00	0.00
2008-2009	1,185,144.00	0.10	118,514.40	1,066,629.60	639,181.72	639,181.72	0.00	639,181.72	639,181.72	0.00	52,867.00	111,448.00	0.00	6,000.00	0.00	0.00	0.00
TOTALS	58,105,461.00	0.10	5,810,546.10	52,294,914.90	31,328,859.36	31,328,859.36	0.00	31,328,859.36	31,328,859.36	0.00	52,867.00	111,448.00	0.00	6,000.00	0.00	0.00	0.00

*Includes FY08-09 expenditure reimbursements made to local jurisdictions in FY08-09

TOTALS 58,105,461.00 5,810,546.10 52,294,914.90 31,328,859.36 31,328,859.36 0.00 31,328,859.36 0.00 31,328,859.36 31,328,859.36 0.00 52,867.00 111,448.00 0.00 6,000.00 0.00 0.00 0.00

REAL ESTATE FRAUD TRUST FUND BALANCE 49,942,040.02
LOCAL AGENCIES 897,726.82
Available Balance 1,515,962.13

REQUESTED	\$1,669,154	\$740,748	\$441,149	\$108,400	\$10,000	N/A	\$2,969,451
AWARD RECEIVED	\$1,669,154	\$740,748	\$441,149	\$108,400	\$10,000		\$2,969,451
STAFFING							
INVESTIGATORS	6	4	1	OT	OT		
SGT./SUPERVISOR	1	1	1				
REHIRED SGT/INV	2	N/A	N/A				
CLERICAL	N/A	N/A	1				
CASES RECEIVED	101	47	18	17	0		215
INVEST. IN PROGRESS	84	41	18	17	0		160
DOLLAR LOSSES	\$13,435,378	\$34,451,822	\$2,834,344	\$6,841,000	\$0		\$57,562,544
CASES TO DA	14	8	1	10	0		33
REQUESTED							
AWARD RECEIVED (10% Reduction)	\$2,332,708	\$836,815	\$553,394	\$119,631	\$10,000	N/A	\$3,852,548
STAFFING							
INVESTIGATORS	5	4	1	OT	OT		
SGT./SUPERVISOR	1	1	1				
REHIRED SGT/INV	1	N/A	N/A				
CLERICAL	N/A	N/A	1				
CASES RECEIVED	185	107	16	17	1	11	337
INVEST. IN PROGRESS	121	60	16	12	1	11	221
DOLLAR LOSSES	\$33,885,461	\$49,192,888	\$390,000	\$1,987,200	0	\$3,428,800	\$88,884,349
CASES TO DA	25	9	2	8	0	0	44
REQUESTED							
AWARD RECEIVED (60% Reduction)	\$1,756,137	\$847,506	\$398,768	\$138,830	\$10,000	\$225,000	\$3,376,241
STAFFING							
INVESTIGATORS	3.25	4*	1	N/A	N/A	N/A	
SGT./SUPERVISOR	0	1*	0				
REHIRED SGT/INV	1	N/A	N/A				
CLERICAL	N/A	N/A	1				
CASES RECEIVED (AS OF 022309)	161	31	5				197
INVEST. IN PROGRESS (AS OF 022309)	134	31	7				172
DOLLAR LOSSES (AS OF 022309)	\$57,928,489	\$10,389,112	\$500,000				\$68,817,601
CASES TO DA (AS OF 022309)	16	8	9				33
* 73% FUNDED BY THE RE TF- 27% FUNDED BY LA CITY							4 MONTHS REMAINING IN FY




STEVE COOLEY
LOS ANGELES COUNTY DISTRICT ATTORNEY

18000 CLARA SHORTTRIDGE FOLTZ CRIMINAL JUSTICE CENTER
210 WEST TEMPLE STREET LOS ANGELES, CA 90012-3210 (213) 974-3501

February 5, 2009

To: Each Supervisor

From:  Steve Cooley
District Attorney

Subject: **DISTRICT ATTORNEY'S ANNUAL REPORT FOR REVIEW OF THE
EFFECTIVENESS OF THE REAL ESTATE FRAUD PROGRAM
PURSUANT TO GOVERNMENT CODE SECTION 27388**

In January 1996, the Board adopted a resolution to implement a program for the enhanced investigation and prosecution of real estate fraud for the Los Angeles County District Attorney and selected local law enforcement agencies. The resolution authorized the collection of a two dollar (\$2) fee paid at the time of recording real estate instruments and directed the fees received by the County be placed in the Real Estate Prosecution Trust Fund to finance the investigation and prosecution of real estate fraud crimes in accordance with Government Code section 27388. As a recipient of funds from the Real Estate Fraud Prosecution Trust Fund, this annual report is submitted pursuant to the requirements of Government Code sections 27388(d)(1) and 27388(d)(2) for the Board of Supervisors' annual review of the effectiveness of the Los Angeles County District Attorney's Real Estate Fraud Program in deterring, investigating and prosecuting real estate fraud crimes.

The Real Estate Fraud Section is a section of the District Attorney's Major Fraud Division. The Real Estate Fraud Section currently consists of six Deputy District Attorneys, six Senior Investigators, one Supervising Investigator, one Paralegal and one Secretary. The section vertically prosecutes cases involving real estate fraud. The Real Estate Fraud Program's primary function is to have an impact on real estate fraud involving the largest number of victims. The program's efforts are directed at fraud committed against individuals whose residences are in danger of, or are in foreclosure, and individuals who are in danger of losing their homes or equity due to fraudulent schemes.

Cases are presented for prosecution from a number of law enforcement agencies, including the Los Angeles County Sheriff's Department, the Los Angeles Police Department, the Inglewood Police Department, the Long Beach Police Department and the Glendale Police Department. Other law enforcement agencies throughout the County also submit cases for review as well. In addition, the District Attorney's Bureau of Investigation conducts criminal investigations into real estate fraud allegations. Investigations are based on complaints received from the public, Department of Real Estate, the Los Angeles County Consumer Protection Division, other regulatory agencies and law enforcement agencies throughout the County. The Bureau also receives referrals from law enforcement agencies in other counties within the State when it appears that Los Angeles County has jurisdiction.

During the 2007-2008 fiscal year, the total aggregate monetary theft reported by victims to law enforcement was approximately 80 million dollars. The victims include individuals, associations, institutions, corporations, and other relevant public entities. The aggregate monetary theft is an estimation based upon cases filed, matters under investigation and completed cases resulting in convictions.

For fiscal year 2007-2008, outside law enforcement agencies participating in the Real Estate Fraud Program report 322 new complaints received. The District Attorney's Bureau of Investigation Real Estate Fraud Unit reports the receipt of 217 new complaints, 25 new complaints opened for investigation and 192 complaints processed as correspondence cases. These numbers are in addition to any matters reported in previous fiscal years still being investigated by law enforcement.

During the reporting period, the Real Estate Fraud Program filed 19 new felony cases, naming 33 defendants, involving approximately 56 victims, with reported thefts of approximately \$8.4 million dollars. The prosecution of 57 defendants was completed resulting in 45 convictions. Two (2) defendants were sentenced to state prison, 26 defendants were sentenced to felony probation and 17 defendants were convicted of misdemeanor violations and placed on misdemeanor probation. Two (2) defendants' cases were consolidated with other pending cases. Charges as to four (4) defendants were superseded by a grand jury indictment resulting in the dismissal of the felony complaint, one (1) defendant's case was dismissed and refiled, and charges as to five (5) defendants were dismissed. As mandated by law, restitution orders were obtained in successfully completed cases for the amount of the victim's loss.

During the 2007-2008 fiscal year, the Real Estate Fraud Prosecution Trust received \$3,305,028.00. The Los Angeles County Register-Recorder charged the Trust \$330,502.80 for administrative costs. This left a balance of \$2,974,525.20 for real estate prosecution and investigation. The District Attorney's Office was entitled to receive sixty percent (60%) of the balance for a total allocation of \$1,784,715.12. The District Attorney's Real Estate Fraud Program actually spent \$3,330,749.67 for the following: (1) \$2,531,226.27 for salaries and employee benefits; (2) \$762,750.39 for indirect costs; (3) \$0.00 for the purchase of equipment; (4) \$13,674.74 for mileage, travel and training; and, (5) \$23,098.27 for other operating expenses.

In addition to the investigation and prosecution of criminal cases, the Real Estate Fraud Section chairs the Real Estate Fraud Task Force, a multi-agency task force whose purpose is to detect, understand and increase communication between county departments, law enforcement agencies and prosecutors involved in land regulation, property fraud and the prosecution of land fraud schemes. Deputy District Attorneys in the unit continue to speak to numerous community and professional organizations and to offer training to law enforcement personnel on real estate fraud topics. Additionally, the Deputy-in-Charge participates in the review of proposed legislation that affects potential real estate fraud issues.

SC:pb

c: Chief Executive Officer
Public Safety DCEO
Auditor-Controller
Registrar-Recorder

STEVE COOLEY
LOS ANGELES COUNTY DISTRICT ATTORNEY

18000 CLARA SHORTRIDGE FOLTZ CRIMINAL JUSTICE CENTER
210 WEST TEMPLE STREET LOS ANGELES, CA 90012-3210 (213) 974-3501

March 24, 2009

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
Los Angeles, California 90012

Dear Supervisors:

**ADOPT A RESOLUTION AUTHORIZING A FEE INCREASE FOR
RECORDING REAL ESTATE INSTRUMENTS WITHIN THE COUNTY
AND AUTHORIZING THE CONTINUATION OF THE REAL ESTATE
FRAUD INVESTIGATION AND PROSECUTION PROGRAM
(ALL DISTRICTS) (3 VOTES)**

SUBJECT

Resolution authorizing an increase to the recording fee from two dollars (\$2) to three dollars (\$3) to fund the continuation of the Real Estate Fraud Investigation and Prosecution Program pursuant to Government Code § 27388.

IT IS RECOMMENDED THAT YOUR BOARD AFTER THE PUBLIC HEARING:

- 1) Close the public hearing at the conclusion of public testimony.
- 2) Adopt the enclosed resolution to authorize an increase to the fee for recording any real estate instrument, paper, or notice, from two dollars (\$2) to three dollars (\$3), with the funds to be placed in a Real Estate Fraud Prosecution Trust Fund, with 60 percent of the funds to be distributed to the District Attorney and 40 percent to local law enforcement agencies, as determined by the Real Estate Fraud Prosecution Committee; these funds shall be used for the exclusive purpose of deterring, investigating, and prosecuting real estate fraud crimes (Government Code § 27388).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On January 11, 1996, the Board of Supervisors (Board) adopted a resolution to implement a program for the enhanced investigation and prosecution of real estate fraud, especially crimes against low income and unsophisticated victims who lose their homes due to foreclosures. The Board also authorized at that time, pursuant to Government Code § 27388 ("§ 27388"), a two dollar (\$2) fee to be paid at the time any real estate instrument, paper, or notice required or permitted by law within Los Angeles County was recorded.

On September 27, 2008, Governor Schwarzenegger signed Senate Bill 1396, which increased the allowable fee under § 27388 to three dollars (\$3) effective January 1, 2009. Upon resolution by the Board, the County may increase the recording fee from two dollars (\$2) to three dollars (\$3).

The additional revenue generated by this fee will partially offset the cost of aggressively prosecuting those responsible for crimes involving real estate fraud. The business of real estate involves many transactions which have a substantial potential for abuse and illegal activities, especially for homeowners. Fraud accounts for a large percentage of losses suffered in the field of real estate and real estate fraud is a fast growing segment of major fraud in this country. The victims are often the elderly, poor and uneducated residents of the county who are unsophisticated in the complexities of property law. They continue to be the main beneficiaries of the enhanced real estate fraud prosecution program.

Implementation of Strategic Plan Goals

This action supports the County's Strategic Plan Goal No. 4, Fiscal Responsibility, by securing an available revenue source and Strategic Plan Goal No. 8, Public Safety, by providing the necessary funds to prosecute those responsible for crimes involving real estate fraud.

FISCAL IMPACT/FINANCING

The collection of recording fees has steadily declined each fiscal year since FY 2003-04. However, the collected fees do help to offset the cost of collection incurred by the Los Angeles County Registrar-Recorder's Office.

They also partially offset the costs incurred by the District Attorney's Real Estate Fraud Section while working to deter, investigate, and prosecute real estate fraud crimes. Revenue in the amount of \$3,000,000 is included in the District Attorney's FY 2008-09 budget for the real estate fraud program.

The significant decline in recording fee collections has resulted in limited reimbursement of specific real estate fraud prevention activities by the, Los Angeles County Sheriff's Department, Los Angeles Police Department, and the Inglewood Police Department for FY 2008-09. In addition, reimbursement for qualified proposals received from the Cities of Long Beach, Redondo Beach, Glendale, and Burbank police departments, respectively, were denied reimbursement for any of the specific real estate prevention activities they each proposed due to the decline in collections.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Prior to adopting an ordinance, resolution, or other legislative enactment adopting a new fee or approving an increase in an existing fee, Government Code § 66018 requires a local agency to hold a public hearing, at which oral or written presentations can be made. The Board of Supervisors' Executive Office, in accordance with Government Code § 6062(a), published an official notice of the time and place of said meeting, including a general explanation of the fee to be established or revised. Section 27388 authorizes the County, by resolution, to impose a fee of up to three dollars (\$3), effective January 1, 2009, to be paid at the time of recording every real estate instrument, paper, or notice required or permitted by law to be recorded within that county, except those expressly exempted from payment of recording fees.

This Board Letter and Resolution have been reviewed and approved by County Counsel.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

This action does not propose attorney staff augmentation. Therefore, the District Attorney's Office is not subject to the Board Motion of December 15, 1998, requiring clearance with the Alternate Public Defender, Public Defender, and Sheriff's Departments.

The Honorable Board of Supervisors
March 24, 2009
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CONCLUSION

It is requested that the Executive Officer, Board of Supervisors, return two copies of the adopted Board Letter and Resolution to Ms. Susy Orellana, Budget and Fiscal Services Division, District Attorney's Office, 201 N. Figueroa Street, Suite 1300, Los Angeles, California 90012. Any questions may be directed to Ms. Orellana at (213) 202-7654.

Respectfully submitted,



STEVE COOLEY
District Attorney

lso:mc

c: Chief Executive Officer
County Counsel
Auditor-Controller
Sheriff
Registrar Recorder/County Clerk

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES TO AUTHORIZE AN INCREASE TO THE FEE FOR RECORDING REAL ESTATE INSTRUMENTS FROM TWO DOLLARS (\$2) TO THREE DOLLARS (\$3) IN ACCORDANCE WITH GOVERNMENT CODE SECTION 27388 AND FOR THE CONTINUATION OF THE REAL ESTATE FRAUD INVESTIGATION AND PROSECUTION PROGRAM

WHEREAS, Government Code Section 27388 ("§ 27388") provides that counties may, upon resolution, authorize a fee for recording any real estate instrument, paper, or notice required or permitted by law to be recorded within that county, except those expressly exempted from payment of recording fees so as to provide additional funds for the District Attorney and law enforcement to deter, investigate, and prosecute real estate fraud crimes; and

WHEREAS, on January 11, 1996, this Board adopted a resolution authorizing an enhanced real estate fraud investigation and prosecution program to protect unsophisticated victims facing the loss of their homes, funded by a two dollar (\$2) fee for recording real estate instruments to finance the investigation and prosecution of real estate fraud crimes in accordance with § 27388; and

WHEREAS § 27388 was amended on September 27, 2008 to allow counties, beginning on January 1, 2009, to increase the fee to three dollars (\$3).

WHEREAS, the County of Los Angeles is in continued need of a program to reduce the victimization of the elderly, poor, and uneducated residents who are unsophisticated in the complexities of property law; and

WHEREAS, the intent of this program is to impact real estate fraud involving the largest number of victims, emphasizing individuals whose residences are in danger of, or are in foreclosure; and

NOW, THEREFORE, BE IT RESOLVED, by the Board of Supervisors of the County of Los Angeles that:

The Registrar-Recorder shall impose a three dollar (\$3) fee at the time of recording of every real estate instrument, paper, or notice recorded in Los Angeles County as defined in § 27388, except those expressly exempted from payment of recording fees. The funds shall continue to be placed in the Real Estate Fraud Prosecution Trust Fund, with 60 percent of the funds to be distributed to the District Attorney and 40 percent to local law enforcement agencies, as determined by the Real Estate Fraud Prosecution Trust Fund Committee. These funds are to be used for the exclusive purpose of deterring, investigating, and prosecuting real estate fraud crimes.

The foregoing resolution was on the ____ day of March 2009, adopted by the Board of Supervisors of the County of Los Angeles.

SACHI A. HAMAI,
Executive Officer-Clerk of the
Board of Supervisors of the
County of Los Angeles

By _____
Deputy

APPROVED AS TO FORM

RAYMOND G. FORTNER, JR.
County Counsel

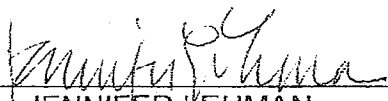
By  _____
JENNIFER LEHMAN
Principal Deputy County Counsel

EXHIBIT 2



COUNTY OF LOS ANGELES DEPARTMENT OF CONSUMER AFFAIRS

"To Enrich Lives Through Effective and Caring Service"

Members of the Board

Gloria Molina
Mark Ridley-Thomas
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich

Pastor Herrera, Jr.
Director

February 9, 2009

To: Lari Sheehan *Lari*
From: Pastor Herrera, Jr. *Pastor*
Re: **A COMPREHENSIVE COUNTYWIDE APPROACH TO
ADDRESS FORECLOSURES AND REAL ESTATE FRAUD**

On January 13, 2009, the Board adopted a motion by Supervisor Ridley-Thomas that calls for the CEO to explore the feasibility of creating a comprehensive Countywide approach to addressing the impact of real estate fraud and the problem of foreclosures.

This report provides a summary of the County's past and present efforts to combat real estate fraud and address foreclosure problems, and makes recommendations to enhance future County efforts.

Background

On June 4, 1996, the Board instructed the Chief Administrative Office to develop an early warning system to provide timely notice of potential real estate fraud. The Board's instruction was prompted by a major real estate fraud case concerning the activities of Marshal Redman in the Antelope Valley. Implementation of an early warning system was intended to increase communication between agencies in order to detect real estate fraud schemes as soon as possible and take appropriate action to deter them.

On December 10, 1996, the Board adopted recommendations to implement an early warning system. It designated the Department of Consumer Affairs to be the central reporting agency for real estate fraud and to operate and publicize a toll-free telephone number. It also instructed Consumer Affairs and County land development related department's (Assessor, Regional Planning, Public Works) to take part in monthly meetings of the Los Angeles County District Attorney's Real Estate Fraud Task force.

On January 13, 2009, the Board adopted a motion by Supervisor Ridley-Thomas that called for the CEO to explore the feasibility of creating a comprehensive Countywide approach to addressing the impact of real estate fraud and the problem of foreclosures.

The motion also called for the assessment of the needs and impact on homeowners, renters, and social service providers; review of the roles of the District Attorney, Sheriff and DCA investigators with recommendations for streamlining or consolidating functions; and institution of a mechanism to provide information and assistance to homeowners when a Notice of Default is recorded.

Existing Laws that Impact a Countywide Response to Real Estate Fraud

Real Estate Fraud Prosecution Trust Fund: The fund was established through state legislation in 1995, SB 537 Hughes, Government Code Section 27388. The Los Angeles County District Attorney's Office supports their Real Estate Fraud Unit from this fund. The legislation, after action by the Board of Supervisors, imposed a \$2 fee on the recording of specified real estate documents. Sixty-percent of funding goes to the District Attorney's Real Estate Fraud Unit to support their prosecutors and investigators with the remaining forty-percent distributed to the Sheriff's Department, LAPD and other police agencies in Los Angeles County that conduct real estate fraud investigations.

The legislation was amended in 2008 to apply the \$2 recording fee to more recorded documents and allows the Board of Supervisors to increase the fee to \$3. It is our understanding that District Attorney representatives have met with the Justice Cluster Agenda Review group to discuss applying the fee to additional recorded documents and raise the fee to \$3, but that no action has been taken. The number of real estate documents currently being recorded is very low due to the depressed real estate market and funding for the DA and police agencies has been negatively impacted.

Homeowner Notification Program: This legislation was passed in 1996, SB 1631, Watson, Government Code Sections 27297.6 and 27387.1. The legislation allows a notification to be mailed to homeowners when a deed, quitclaim deed, or deed of trust is recorded. The program has operated on a permanent basis since 1997 and is conducted by the Registrar-Recorder/County Clerk (RR|CC) and the Department of Consumer Affairs (DCA). Information about real estate fraud and forgery is included with the mailing and instructs homeowners to contact DCA for information, counseling, or to report a fraud.

The RR|CC contracts with Data Trace Information Services to mail the notification and a copy of the recorded document. A \$4 recording fee is collected to cover the cost of notification and existing legislation allows the Board of Supervisors to collect a fee not exceeding \$7 for mailing of the notification.

DCA receives funding from the RR|CC to assist homeowners who receive the notification. However the funding is not part of the \$4 fee collected from homeowners. The legislation specifically states that the recording fee can only be used to offset the cost of mailing the notice. DCA staff operates a hotline for homeowners to call and provides information, counseling, and complaint investigation services.

Components of a Comprehensive Countywide Approach

Three components are required to create a comprehensive countywide approach to foreclosures and real estate fraud:

- outreach and education
- central reporting and complaint handling
- investigation and prosecution

Many components are already in place. However, the Board's current directive provides an opportunity to review, strengthen, and enhance the County's efforts.

Outreach and Education

Since 1997, the County has operated a Homeowner Notification Program. The program is conducted by the Registrar-Recorder/County Clerk (RR|CC) and the Department of Consumer Affairs (DCA). The program provides notification to homeowners whenever a deed, quitclaim deed, or deed of trust is recorded against their home. The notification includes a copy of the recorded document, information about real estate fraud and DCA's real estate hotline number for homeowners to call for counseling or to file a fraud complaint.

The Homeowner Notification Program does not apply to Notices of Default. Consequently, homeowners in default and renters in those homes receive no contact from the County to offer counseling and assistance. Instead, homeowners and those who rent a home in foreclosure are inundated with letters, calls and home visits from foreclosure consultants and foreclosure rescue services who promise to save their home for a fee. The vast majority of consultants operate in a fraudulent manner, taking money from homeowners but providing no service of any value. Most homeowners simply lose their home.

DCA participates in numerous community housing events, many sponsored by LA Neighborhood Housing Services, specifically targeted for homeowners in or facing foreclosure. These events allow homeowners to meet with lenders and HUD-approved counseling agencies; and if victims of fraud, to report them to our DCA staff. Our department also publishes brochures and has extensive resources available on our telephone system and our website dca.lacounty.org to assistance homeowners facing foreclosure.

DCA believes that the most effective outreach provides notification to homeowners at the time of need. Expanding the Homeowner Notification Program to Notices of Default meets that need by offering assistance to homeowners who are behind in their mortgage payments. Additional efforts may include providing information to individuals recently laid off through Employment Development offices, Work Source Centers located throughout Los Angeles County and other agencies for the unemployed who are in danger of foreclosure.

Central Reporting and Complaint Handling

DCA operates a Real Estate Fraud and Information Program that acts as the central reporting agency for consumer fraud in Los Angeles County. We operate a toll-free hotline for residents to call for counseling, to report a fraud, or file a complaint. Complaints received are screened and preliminarily investigated for evidence of forgery or fraud. After preliminary investigation by DCA investigators, cases involving serious fraud are referred to the District Attorney's Real Estate Fraud Unit for criminal investigation and prosecution.

Cases that do not involve serious fraud are fully investigated and mediated by DCA investigators in an effort to resolve the complaint and provide restitution to the homeowner. Where appropriate, cases are referred to the California Department of Real Estate, HUD-approved counseling agencies, and non-profit legal services agencies for follow-up. Serious fraud cases and complaint trends are reported at meetings of the Real Estate Fraud Taskforce.

Investigation and Prosecution

Cases received by DCA that involve forgery or fraud are given a preliminary investigation and then referred to the District Attorney's Real Estate Fraud Unit for criminal investigation and prosecution. Cases referred to the District Attorney's office are investigated by their investigators. District Attorney investigators are peace officers with full authority to conduct criminal investigations, enforce warrants and make arrests.

Subject to the caseload and filing criteria established by the District Attorney's office, DCA may refer cases to the California Attorney General's Office, the Los Angeles City Attorney or other agencies for prosecution. Typically, the District Attorney's office files felony cases, the California Attorney General's office files civil cases, and the Los Angeles City Attorney files misdemeanors. Cases referred to these prosecuting agencies are investigated by DCA staff. In addition to the California Attorney General's Office, cases appropriate for civil action may also be referred to the District Attorney's Consumer Section or to a community legal services organization. Typically, these cases are fully investigated by DCA staff and full investigative reports are prepared to support the civil action.

The Real Estate Fraud Task Force

The District Attorney Major Fraud Division established their Real Estate Fraud Unit in 1994 and began chairing the Real Estate Fraud Taskforce at approximately the same time. The Task Force meets monthly and is hosted by the District Attorneys Real Estate Fraud Unit. Agencies who attend the Task Force meetings include LAPD, Sheriff, FBI, Assessor, Public Works, Regional Planning, Department of Real Estate, Department of Corporations and other state agencies.

The task force is a key component of the early warning system. Meetings of the task force allow members to share information on the cases and complaints they have received. It allows the task force to identify complaint trends and patterns and to coordinate efforts and plan strategies concerning particular offenders.

Impact of Foreclosures on Persons and Social Support Systems

We all know that there has been a significant impact on individuals and families resulting from the dramatic increase in foreclosures. However, the extent of that impact on County Departments and social service agencies is unknown. We recommend that County Departments, including but not limited to DPSS, Mental Health, Child Support Services and Public Guardian provide reports on the impact of foreclosures on demand for their services.

Function of Sheriff, District Attorney and DCA Investigators

The Sheriff, District Attorney and DCA investigators each serve unique and separate roles. District Attorney Investigators are peace officers with full authority to conduct criminal investigations, enforce warrants and make arrests. District Attorney Investigators work closely with Deputy District Attorney's assigned to the Real Estate Fraud Unit in conducting criminal investigations for prosecution. Sheriff's Department Investigators are also peace officers with full authority to conduct criminal investigations enforce warrants and make arrests. Sheriff's conduct investigations of real estate fraud cases filed with their office. They also work with the District Attorney's Real Estate Fraud Unit on joint criminal investigations. The District Attorney and Sheriff's Real Estate Fraud Investigators each report to their respective elected official and are funded through the Real Estate Prosecution Trust Fund.

DCA investigators are not peace officers and DCA is not a law enforcement or police agency. Funding for DCA's real estate related investigative staff is not provided through the Real Estate Prosecution Trust Fund. In the early warning system already in place, DCA serves as the central reporting agency for real estate fraud. Our investigators staff the hotline and provide homeowners with information, counseling, complaint investigation and mediation of disputes. The majority of cases handled by DCA investigators are not cases of a nature that require police involvement. DCA staff work for a department that reports to the Board of Supervisors, not to the two separate elected officials the other agencies serve.

The roles, functions, and services provided by the District Attorney, Sheriff and DCA investigators are unique and separate. Each report to separate elected officials and the District Attorney and Sheriff operate from a different funding source than DCA.

Recommendations

We believe that the following actions would increase assistance to homeowners and create a more comprehensive County approach to dealing with foreclosures and real estate fraud:

- Amend the Homeowner Notification Program legislation to include Notices of Default and allow a portion of the recording fee to be used by DCA to provide assistance to homeowners. Once enacted, request that the Board of Supervisors increase the filing fee to \$6, a \$2 increase, to provide DCA with resources to provide assistance to homeowners.
- Request the Board of Supervisors to increase the recorded document filing fee to \$3, a \$1 increase, to provide the Real Estate Prosecution Trust Fund with additional resources to combat real estate fraud.
- Request that the District Attorney's office draft a mission statement for the Real Estate Fraud Taskforce that clearly defines the purpose, goals and objectives of the Task Force and the role of participating agencies.
- Request that County Departments, including DPSS, Mental Health, Child Support Services and Public Guardian report on the impact that foreclosures have had on demand for services.
- Make a determination that investigators from the District Attorney's Office, Sheriff's Department and DCA serve unique functions and that consolidation of these functions is neither practical nor desirable.

EXHIBIT 3

Fraud Notification Mailings to Homeowners

<u>Year</u>	<u>Total Targets</u>	<u>Monthly Average</u>
2002	1,080,097	90,008
2003	1,414,415	117,868
2004	1,270,041	105,837
2005	1,215,354	101,280
2006	1,018,681	84,890
2007	828,202	69,017
2008	431,392	35,949
7-Year Total	7,258,182	86,407

Notices of Default Recorded in L A County

<u>Year</u>	<u>NOD's Recorded</u>
2002	27,473
2003	21,845
2004	16,680
2005	16,733
2006	26,423
2007	53,353
2008	84,840
7-Year Total	247,347

EXHIBIT 4

NOTICE REQUIREMENTS IN PRIVATE FORECLOSURE ACTIONS

- Notice of Default must be recorded. Civil Code section 2924(a)(1). The Notice of Default may not be recorded until 30 after specific contact has been made to the borrower or specific due diligence has been made in an attempt to contact. Civil Code section 2923.5 (per SB 1137).
- Copy of the Notice of Default must be sent by registered or certified mail within 10 business days of recording of the Notice of Default, to the trustor (borrower) last known physical address. Civil Code section 2924b(b). Notice of Default must also contain specific statutory language warning of the implications of the notice. Civil Code section 2924c(b)(1).
- In addition, Notice of Default must also be sent by first class mail to the trustor (borrower) and to all persons listed in Civil Code 2924b(c) – which includes lessee (tenant), at the same physical address used for certified or registered mail. Civil Code section 2924b(e).
- A separate Notice of Default must be given 1 month later to the trustor (borrower) in some instances for secured loans governed by the Unruh Retail Installment Sales Act. Civil Code section 2924f(c)(3).
- After expiration of 3 months from the date on which the Notice of Default was recorded, if the trustor (borrower) has not exercised the right to reinstate the obligation, the trustee may give the notice of sale. Civil Code section 2924.
- At least 20 days before the date of sale, the Notice of Sale must be mailed by registered or certified mail to everyone entitled to receive a Notice of Default (including tenants). Civil Code section 2924f(b).
- The Notice of Sale must contain specified warnings by Civil Code 2924f(c)(3) in capital letters at the beginning of the notice that basically informs the borrower that they are in default and unless they take action the property may be sold at public sale.
- The Notice of Sale must also be published, in addition to mailing and posted in a public place AND on the property to afford wide dissemination of the notice as well as notice to interested parties in possession. Civil Code section 2924f(b).
- If the property is a single-family residence, the Notice of Sale must be posted on the door of the residence, or if this is not possible, in a conspicuous place on the property. Civil Code section 2924f(b).
- The Notice of Sale must also be mailed to the trustor (borrower) by first-class mail in addition to the notice by registered or certified mail. Civil Code section 2924b(e).
- The Notice of Sale must be recorded at least 14 days before the sale. Civil Code section 2924f(b).

EXHIBIT 5

27297.6. (a) Following adoption of an authorizing resolution by the Los Angeles County Board of Supervisors, the Los Angeles County Recorder or a designee or designees authorized by the Board of Supervisors may, within 30 days of recordation of a deed, quitclaim deed, deed of trust, notice of default, or notice of sale, notify by mail or other means the party or parties executing or noted in the the document, or lawful occupants of the property. The notice may be for information purposes relating to the transaction as well as, for any other purpose in furtherance of consumer protection and outreach related to real property transactions.

(b) The recorder may require, as a condition of recording, that a deed, quitclaim deed, deed of trust indicate the assessor's identification number or numbers that fully contain all, or a portion of, the real property described in the legal description. If the description contains more than one assessor's parcel, all assessor's parcels shall be indicated. The form of the entry shall be substantially as follows:
Assessor's Identification Number ____-____-____.

(c) This section shall not apply to the recordation of any document where the federal government, or state, county, city, or any subdivision of the state acquires title.

(d) The failure of the county recorder to provide the notice as permitted by this section shall not result in any liability against the recorder or the county. In the event that the notice is returned to the recorder by the postal service as undeliverable, the recorder is not required to retain the returned notice.

(e) Where the county recorder contracts with any party or parties for the performance of the processing or the mailing of the notice, or both, as authorized by this section, the contract shall be awarded by competitive bid. The county recorder shall solicit written bids for the contract in a newspaper of general circulation in the county, and all bids received shall be publicly opened and the contract awarded to the lowest responsible bidder. If the county recorder or his or her designee deems the acceptance of the lowest responsible bid is not in the best interest of the county, all bids may be rejected.

27387.1. In addition to any other recording fee, the recorder may collect a fee from the party filing a deed, quitclaim deed, deed of trust, notice of default, or notice of sale, other than a government entity, pursuant to Section 27297.6. The fee shall not exceed nine dollars (\$9) and may be used for the cost of mailing the notice specified in Section 27297.6, or any other purpose in furtherance of consumer protection and outreach related to real property transactions.